# Helios Energy Limited

Interim Financial Report

31 December 2019

**CONTENTS**



These interim financial statements do not include all the notes of the type normally included in the annual financial statements. Accordingly, these interim financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2019 and any public announcements made by the Company during the period from 1 July 2019 to the date of this report in accordance with the continuous disclosure requirements of the *Corporations Act 2001 (Cth)*.

## CORPORATE DIRECTORY

| | | |
|---|---|---|
| **Directors** | Hui Ye<br>Non-Executive Chairman<br><br>Richard He<br>Managing Director<br><br>Nicholas Ong<br>Non-Executive Director<br><br>Robert Bearden<br>Non-Executive Director | |
| **Company Secretary** | John Palermo | |
| **Registered Office** | **Australian Office**<br>Level 3, 18 Richardson Street<br>West Perth WA 6005 Australia<br>PO Box 1485 West Perth<br>WA 6872 Australia<br>T:+61 1300 291 195<br>F:+618 6298 6191 | **USA Office**<br>2 Riverway, 17th Floor<br>Suite 1710, Houston<br>Texas USA 77056<br>T:+1 713 333 3613<br>F:+1 713 583 0965 |
| **Share Register** | Computershare Investor Services Pty Ltd<br>Level 11, 172 St George's Terrace<br>Perth WA 6000 Australia<br>Investor enquiries: 1300 557 010<br>T:+618 9323 2000<br>F:+618 9323 2033 | |
| **Auditor** | BDO Audit (WA) Pty Ltd<br>38 Station Street<br>Subiaco WA 6008 Australia<br>T:+618 6382 4600<br>F:+618 6382 4601 | |
| **Lawyers** | Steinepreis Paganin<br>Level 4, The Read Buildings<br>16 Milligan Street<br>Perth WA  6000 Australia<br>T: +618 9321 4000<br>F: +618 9321 4333 | |
| **Stock Exchange** | Australian Securities Exchange (**ASX**)<br>ASX Code: HE8 and HE8OA | |
| **Website** | www.heliosenergyltd.com | |

## 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 period ended 31 December 2019 (**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

The company secretary is John Palermo who was appointed on 10 September 2018.

## PRINCIPAL ACTIVITIES AND REVIEW OF OPERATIONS

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

### Presidio Oil Project – Presidio County, Texas, USA

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 and Quinn Mesa 113.

### New Oil Discovery in Presidio Oil Project
### Oil Discovery in the Ojinaga Shale Formation
### 1,400 feet horizontal - Presidio 141#2 Well

During the half ending on 31 December 2019, the 1,400 feet horizontal portion of the Presidio 141#2 well was drilled to the west towards the Quinn Creek 141 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.

### 7 Stages Perf and Plug Hydraulic Frack

During the half ending on 31 December 2019, 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.

**Vertical Portion of the Presidio 141#2 Well**

The Presidio 141#2 well is located 2,300 feet to the east of the existing Quinn Creek 141 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 discovery well.

**Ojinaga Formation**

Wireline logs and drilling cuttings indicate that the Ojinaga Formation is approximately 1,941 feet thick in the Presidio 141#2 well. Wireline logs and drilling cuttings indicate that the lower bench of the Ojinaga Formation is 359 feet thick and is highly naturally fractured. Good to excellent, continuous oil shows were observed throughout the entire drilling of this 359 feet thick vertical interval. Excellent and continuous oil shows along with a high density of natural fractures were observed whilst drilling throughout a 220 feet subset of this 359 feet thick lower bench of the Ojinaga Formation. It is within this 220 feet subset that the 1,400 feet horizontal portion of the well was drilled.

**Testing and Flowback of Presidio 141#2 Well**

The frack of the Presidio 141#2 well injected approximately 3,313,000 pounds of proppant and approximately 64,000 barrels of completion fluid. The Presidio 141#2 well began naturally flowing back on 11 August 2019 post a 7 stage frack and continuously flowed back oil and gas until, as part of the testing program, Helios initiated a pressure build up test. Up until the commencement of the pressure test, 36,305 barrels of completion fluid (57%) of the 64,000 barrels of completion fluid used in the frack had been recovered from the well. There is a further 27,695 barrels of completion fluid (43%) to be recovered.

Helios initiated a pressure build up test on the Presidio 141#2 well to gather data on wellbore conditions and reservoir properties such as formation permeability, pressure in the drainage area, reservoir boundaries and reservoir heterogeneities. The Presidio 141#2 well was shut-in for the pressure build up test with a pressure gauge inserted into the well.

As expected by Helios, post the completion of the pressure test the Presidio 141#2 well then re-commenced naturally flowing oil and gas. Once the well has ceased to flow naturally 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. 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 as it has a total measured depth of only 5,846 feet and this includes the fracked 1,400 feet horizontal portion which was drilled into the primary target zone within the lower bench of the Ojinaga Formation.

**Oil and Gas Production**

Prior to shut-in for the pressure test, the Presidio 141#2 well had produced 39,879 barrels of fluid which was comprised of 3,574 barrels of oil and 36,305 barrels of completion fluid. Prior to shut-in the Presidio 141#2 well has also produced 36,172 MCF of gas. All the oil produced has been sold by via truck. All the necessary production facilities have now been constructed and are 100% functional.

**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.

### High Quality Oil

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

### 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 µd (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 µd). Analysis of the Quinn Creek 141 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.

### Presidio Oil Project – Infrastructure

Access to the 3 wells that constitute the Presidio Oil Project (Presidio 141#2, Quinn Creek 141 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.

### 88 Mile 2D Seismic Programme

Helios has completed an 88 mile 2D seismic programme 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, this 88 mile 2D seismic programme has established a thick presence of Ojinaga Formation across the entire Ojinaga Shale Formation play area (which is approximately 300,000 acres in size).

### Geological Surface Fieldwork

Geological surface fieldwork supports the current seismic interpretation and corroborates that a thick presence of Ojinaga Formation exists across Helios' entire acreage position of 85,685 gross acres and across the entire Ojinaga Shale Formation play area (which is now 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 was then 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 (which is now approximately 300,000 acres in size) can be easily mapped.

**Well Location Identification**

During the half year ending on 31 December 2019, Helios continued to integrate geological and geophysical data it has generated and compiled with the aim of high grading multiple well locations that target the primary objectives of the Ojinaga Formation and the Eagle Ford Formation as well as the secondary objectives comprised of the older Cretaceous units being the Buda, Georgetown and Edwards limestone formations and the shallow San Carlos sandstone formation.

**Oil and Gas Leases Held as at 31 December 2019**

**Presidio Oil Project – 70%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 and Quinn Mesa 113.

**Corporate**

During the half year ending on 31 December 2019, Helios conducted a capital raising of $5,212,800 by way of the issue of 27,435,789 shares at a price of 19 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 funds raised from the Placement are being used for working capital purposes.

**Competent Person's Statement**

The information in report is based on information compiled or reviewed by Eldar Hasanov. Mr Hasanov is a qualified petroleum geologist with over 22 years of experience in the USA, Russia, Azerbaijan, Kazakhstan, the Middle East, Turkey, Indonesia and other international areas involving technical, operational and executive aspects of petroleum exploration and production, in both onshore and offshore environments. He has extensive experience in petroleum exploration, appraisal and reserve and resource estimation, as well as in identifying and evaluating new oil and gas ventures. Mr Hasanov has a Masters degree in Petroleum Geology. He is a member of the American Association of Petroleum Geologists.

**OPERATING RESULT**

The loss from operations for the half year ended 31 December 2019 after providing for income tax was $880,232 (2018: Loss $1,415,025). The total comprehensive loss for the half year ended 31 December 2019 after providing for income tax was $1,017,051 (2018: $905,319).

Additional information on the operations and financial position of the Group and its business strategies and prospects is set out in this directors' report and the interim financial report.

**AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001 (Cth)* is set out on page 6 of this interim report.
Signed in accordance with a resolution of the board of directors

**Richard He**
**Managing Director**
**13 March 2020**

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

As lead auditor for the review of Helios Energy Limited for the half-year ended 31 December 2019, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

**Jarrad Prue**

Director

**BDO Audit (WA) Pty Ltd**

Perth, 13 March 2020

| | Note | 2019 $ | 2018 $ |
|---|---|---|---|
| Revenue from operations | | 118,800 | - |
| Interest Revenue | | 3,026 | 21,609 |
| Fair value gain on investment | 4 | 830,800 | - |
| Administration costs | | (846,992) | (574,899) |
| Corporate compliance costs | | (69,940) | (59,258) |
| Corporate management fees | | (39,000) | (43,000) |
| Personnel Cost | | (833,176) | (750,267) |
| Audit fees | | (14,868) | (9,210) |
| Production costs | | (5,465) | - |
| Lease operating expenses | | (23,417) | - |
| **(Loss)/Profit before income tax** | | **(880,232)** | **(1,415,025)** |
| Income tax expense | | - | - |
| **(Loss)/Profit after income tax for the half-year** | | **(880,232)** | **(1,415,025)** |
| **Other Comprehensive Loss** | | | |
| **Items that will be reclassified to profit or loss** | | | |
| Foreign currency translation difference | | (136,819) | 509,706 |
| **Total comprehensive loss for the period attributable to the members of Helios Energy Ltd** | | **(1,017,051)** | **(905,319)** |
| | | **Cents** | **Cents** |
| Loss per share for the period attributable to the members of the Company: | | | |
| **Basic and diluted loss per share** | | (0.059) | (0.101) |

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

| **ASSETS** | **Note** | **31 Dec 2019 $** | **30 June 2019 $** |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | | 5,211,029 | 8,393,213 |
| Trade and other receivables | | 232,254 | 89,494 |
| **Total current assets** | | **5,443,283** | **8,482,707** |
| **Non-current assets** | | | |
| Exploration and evaluation expenditure | 3 | 32,053,986 | 27,139,905 |
| Investments | 4 | 1,644,300 | 313,500 |
| **Total Non-current assets** | | **33,698,286** | **27,453,405** |
| **Total assets** | | **39,141,569** | **35,936,112** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | 1,186,181 | 1,962,690 |
| **Total current liabilities** | | **1,186,181** | **1,962,690** |
| **Total liabilities** | | **1,186,181** | **1,962,690** |
| **NET ASSETS** | | **37,955,388** | **33,973,422** |
| | | | |
| **EQUITY** | | | |
| Contributed equity | 5 | 63,602,635 | 58,606,618 |
| Reserves | | 1,046,564 | 1,180,383 |
| Accumulated losses | | (26,693,811) | (25,813,579) |
| **TOTAL EQUITY** | | **37,955,388** | **33,973,422** |

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

| **2019** | **Contributed equity** | **Option reserve** | **Foreign currency translation reserve** | **Accumulated losses** | **Total** |
|---|---|---|---|---|---|
| | **$** | **$** | **$** | **$** | **$** |
| Balance 1 July 2019 | 58,606,618 | 398,800 | 781,583 | (25,813,579) | **33,973,422** |
| Loss for the half-year | - | - | - | (880,232) | **(880,232)** |
| Exchange differences on translation of foreign operations | - | - | (136,819) | - | **(136,819)** |
| Total comprehensive gain (loss) for the half year | - | - | **(136,819)** | **(880,232)** | **(1,017,051)** |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Contribution of equity (net of transaction costs) | 4,846,843 | - | - | - | **4,846,843** |
| Conversion of options to ordinary shares | 149,174 | - | - | - | **149,174** |
| Issue of options | - | 3,000 | - | - | **3,000** |
| **Balance 31 December 2019** | **63,602,635** | **401,800** | **644,764** | **(26,693,811)** | **37,955,388** |

| **2018** | **Contributed equity** | **Option reserve** | **Foreign currency translation reserve** | **Accumulated losses** | **Total** |
|---|---|---|---|---|---|
| | **$** | **$** | **$** | **$** | **$** |
| Balance 1 July 2018 | 49,097,486 | 389,800 | 282,853 | (22,982,612) | **26,787,527** |
| Loss for the half-year | - | - | - | (1,415,025) | **(1,415,025)** |
| Exchange differences on translation of foreign operations | - | - | 509,706 | - | **509,706** |
| Total comprehensive gain (loss) for the half year | - | - | **509,706** | **(1,415,025)** | **(905,319)** |
| **Transactions with owners in their capacity as owners:** | - | - | - | - | **-** |
| Contribution of equity (net of transaction costs) | - | - | - | - | **-** |
| Conversion of options to ordinary shares | 42,813 | - | - | - | **42,813** |
| **Balance 31 December 2018** | **49,140,299** | **389,800** | **792,559** | **(24,397,637)** | **25,925,021** |

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

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| **Cash flow from operating activities** | | |
| Interest received | 3,026 | 21,609 |
| Receipts from customers | 8,070 | - |
| Payments to suppliers and employees | (2,638,646) | (1,832,395) |
| **Net cash outflow from operations** | **(2,627,550)** | **(1,810,786)** |
| **Cash flows from investing activities** | | |
| Payments for exploration and evaluation | (5,051,618) | (2,336,001) |
| Purchase of financial assets | (500,000) | - |
| **Net cash outflow from investing activities** | **(5,551,618)** | **(2,336,001)** |
| **Cash flows from financing activities** | | |
| Proceeds from the issue of shares | 5,212,800 | - |
| Proceeds from exercise of options | 149,174 | 42,813 |
| Costs associated with capital raising | (364,990) | - |
| **Net cash inflow from financing activities** | **4,996,984** | **42,813** |
| **Net decrease in cash and cash equivalents** | **(3,182,184)** | **(4,103,974)** |
| Cash and cash equivalents at the beginning of the period | 8,393,213 | 11,425,522 |
| Effect of exchange rate changes on cash and cash equivalents | - | - |
| **Cash and cash equivalents at the end of the period** | **5,211,029** | **7,321,548** |

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

## 1 Summary of Significant Accounting Policies

This general purpose interim financial report includes the financial statements and notes of Helios Energy Ltd, a public limited entity, and its controlled entities for the half-year ended 31 December 2019.

### (a) Going concern

This financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. The Group has incurred a loss for the period ended 31 December 2019 of $880,232 (31 Dec 2018: $905,319) and net cash outflows from operating and investing activities of $8,179,168 (31 Dec 2018: $4,146,787). At 31 December 2019, the group had $5,211,029 of cash and cash equivalents.

The Group is expected to be cash-flow negative in the foreseeable future as a result of continued exploration expenditures, and the ability of the Group to continue as a going concern is dependent on securing additional funding, most likely through an issuance of new equity. These conditions indicate the existence of a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors believe the Group will continue as a going concern, after consideration of the following factors:

- the Group has recently been successful in raising equity and is planning to raise further funds; and
- the level of expenditure can be managed; and
- the directors are aware of the cash position and commitments for further developments of its projects and they will undertake further capital raising to facilitate the expenditure.

The directors plan to continue the Group's operations on the basis outlined above and believe there will be sufficient funds for the Group to meet its obligations and liabilities for at least twelve months from the date of this report.

Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the Group not continue as a going concern and meet its debts as and when they become due and payable.

### (b) Basis of Preparation

The consolidated interim financial statements have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001 (Cth)*. They do not include all of the information required for full annual financial statements and should be read in conjunction with annual report dated 30 June 2019 any public announcements made by the Company during the period from 1 July 2019 to the date of this report in accordance with the continuous disclosure requirements of the *Corporations Act 2001 (Cth)*.

The accounting policies have been consistently applied by the Group and are consistent with those applied in the previous financial year and those of the corresponding interim reporting period.

In the half year ended 31 December 2019, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after I July 2019. Refer to Note 1(b) below.

No retrospective change in accounting policy or material reclassification has occurred requiring the inclusion of a third Statement of Financial Position as at the beginning of the comparative financial period, as required under AASB 101.

### (c) New or amended Accounting Standards and Interpretations adopted

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:

AASB 16 Leases
The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The adoption of AASB 16 from 1 July 2019 resulted in no material changes in accounting policies and adjustments to the amounts recognised in the financial statements. The Company assessed its leases and noted that all leases held are for a period of 12 months or less and there is therefore no impact on the amounts recognised in the financial statements as a result of adoption.

## 2 Segment Information

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group currently operates in one operating segment being the oil and gas exploration sector.

The chief operating decision makers look at areas of interest when reviewing exploration activities and the allocation of resources to the segment and to assess its performance. For the Period under review, the Group operated as one business.

The Board of Directors review internal management reports on a monthly basis that are consistent with the information provided in the statement of profit or loss and other comprehensive income, statement of financial position and statement of cash flows. As a result, no reconciliation is required because the information as presented is what is used by the Board to make strategic decisions.

## 3 Exploration and Evaluation Expenditure

| | 31 December 2019 | 30 June 2019 |
|---|---|---|
| | $ | $ |
| Exploration and evaluation assets | | |
| **Reconciliation:** | | |
| Balance at the beginning of the period | 27,139,905 | 16,221,270 |
| Exploration costs | 4,952,610 | 10,274,372 |
| Foreign exchange difference on translation | (38,529) | 644,263 |
| **Balance at the end of the period** | **32,053,986** | **27,139,905** |

## 4 Investments

| | 31 December 2019 | 30 June 2019 |
|---|---|---|
| | $ | $ |
| Shares in Winchester Energy Limited | | |
| Opening Balance | 313,500 | - |
| Additions | 500,000 | 209,000 |
| Fair Value movement | 830,800 | 104,500 |
| **Balance at the end of the period** | **1,644,300** | **313,500** |

On 17 October 2019 the Group invested a further $500,000 in Winchester Energy Limited shares. At 31 December 2019 the total shares were valued at $1,644,300 resulting in fair value gain of $830,800. Under the terms of AASB 9 Financial Instruments the investment has been classified as fair value through profit and loss.

## 5 Contributed Equity

| **(a) Share Capital** | **Dec 2019 Shares** | **Dec 2019 $** | **June 2019 Shares** | **June 2019 $** |
|---|---|---|---|---|
| Ordinary shares fully paid | 1,531,695,729 | 63,602,635 | 1,496,670,252 | 58,606,618 |

**(b) Movements in ordinary share capital:**

**Period ended 31 December 2019**

| Date | Details | Number of shares | Issue price | $ |
|---|---|---|---|---|
| 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 | Share 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 |
| 31/12/2019 | Balance at end of period | **1,531,695,729** | | **63,602,635** |

**Share Placement**
On 13 December 2019, the Company conducted a capital raising of $5,212,800 by way of the issue of 27,435,789 shares at a price of 19 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)*.

**Capital Raising Fees**
In addition to the payment of standard commercial capital raising fees, the Company issued 131,000 shares and 5,000,000 options each with an exercise price of A$0.22 and each having a term which expires on 31 December 2022 to those brokers who assisted with the $5,212,800 capital raising. These options were valued at $3,000 being the fair value of the service performed.

**Period ended 30 June 2019**

| Date | Details | Number of shares | Issue price | $ |
|---|---|---|---|---|
| 01/01/2019 | Opening balance | 1,416,721,015 | | 49,140,299 |
| 10/01/2019 | Share issue | 66,412,215 | 0.131 | 8,700,000 |
| 13/02/2019 | Share issue | 10,687,022 | 0.131 | 1,400,000 |
| 13/02/2019 | Share issue | 350,000 | 0.1225 | 42,875 |
| | Less Capital raising Costs | | | (726,556) |
| 27/02/2019 | Conversion of options to ordinary shares | 500,000 | 0.02 | 10,000 |
| 18/06/2019 | Conversion of options to ordinary shares | 2,000,000 | 0.02 | 40,000 |
| 30/06/2019 | Balance at end of period | **1,496,670,252** | | **58,606,618** |

## 6 After Reporting Date Events

The share price of Winchester Energy Limited has fallen from 5.4c per share (31 December 2019) to 2.0c per share (at the date of this report). As a result of the Group's 30,450,000 shareholding in Winchester Energy Limited, this is indicative of a reduction in the fair value of the company's investments of $1,035,300.

Other than the above there are no events which have occurred subsequent to the reporting date which would require disclosure in the financial statements.

## 7 Contingencies and Commitments

There are no changes in contingent liabilities or commitments from the year end 30 June 2019.

## 8 Related Party Transactions

There are no changes in related party transactions from the year end 30 June 2019.

## 9 Fair Value Measurement of Financial Instruments

The Group holds shares in Winchester Energy Limited, which are accounted for at Fair Value through Profit and Loss, please refer to Note 4 for further information about the fair value movement in the year. The instruments are Level 1 on the Fair Value hierarchy as they are derived from quoted prices on an active market (the Australian Securities Exchange). The Company does not have any other financial instruments that are subject to recurring fair value measurements.

Due to its short-term nature, the carrying amount of current trade and other receivables is assumed to approximate its fair value.

The Directors' of the Group declare that:

1 The interim financial statements and notes as set out on pages 7 to 14 are in accordance with the *Corporations Act 2001 (Cth)*, and

(i) comply with Australian Accounting Standard AASB 134 *Interim Financial Reporting* 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 31 December 2019 and of its performance to the half-year ended on that date.

2 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**
**13 March 2020**

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**INDEPENDENT AUDITOR'S REVIEW REPORT**

To the members of Helios Energy Limited

## Report on the Half-Year Financial Report

### Conclusion

We have reviewed the half-year financial report of Helios Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, 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 half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### Emphasis of matter - Material uncertainty relating to going concern

We draw attention to Note 1(a) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

### Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Independence**

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

**BDO Audit (WA) Pty Ltd**

BDO

**Jarrad Prue**

**Director**

Perth, 13 March 2020