Helios Energy Limited

Interim Financial Report

31 December 2021

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 2021 and any public announcements made by the Company during the period from 1 July 2021 to the date of this report in accordance with the continuous disclosure requirements of the *Corporations Act 2001 (Cth)*.

CORPORATE DIRECTORY

Directors

Hui Ye
Non-Executive Chairman

Richard He
Managing Director

Nicholas Ong
Non-Executive Director

Robert Bearden
Non-Executive Director

Company Secretary

John Palermo

Registered Office

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

USA Office
3 Riverway, 17th Floor
Suite 1750, Houston
Texas USA 77056
T:+1 713 333 3613
F:+1 713 583 0965

Share Register

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

Auditor

BDO Audit (WA) Pty Ltd
Level 9, Mia Yellagonga Tower 2
5 Spring Street
Perth WA 6000 Australia
T:+618 6382 4600
F:+618 6382 4601

Lawyers

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000 Australia
T: +618 9321 4000
F: +618 9321 4333

Stock Exchange

Australian Securities Exchange (**ASX**)
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 half year period ended 31 December 2021 (**Helios** 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.

4th Well – Presidio Oil Project – Presidio 52#1

During 2021, the Company integrated all its geological, geochemical 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 older (deeper) Cretaceous units being the Buda, Georgetown and Edwards limestone Formations (all secondary targets). During the 6 month half year period, on 7 September 2021, the Company advised of its plan to spud and complete a 4th well in its Presidio Oil Project located in Presidio County, Texas, USA.

Completion of 11 Miles of New 2D Seismic

During the 6 month half year period ending on 31 December, the Company completed its latest 2D seismic work program. The program involved line clearing and shooting an additional 11 miles of 2D seismic. This new 2D seismic (2 lines of approximately 5.5 miles each) augments the existing old 2D seismic which covers the location of the Presidio 52#1 well. The full acquisition, processing and interpretation of this 2D seismic is now completed and the exact location of the Presidio 52#1 well has been determined. The Presidio 52#1 well, located in Presidio County, Texas, USA and the 4th well in the Presidio Oil Project, will be spudded by 31 March 2022.

Presidio 52#1 Well – Interpreted Traps – Buda, Georgetown and Edwards Formations

The previously completed 88 miles of 2D seismic has established a thick presence of Austin Chalk age equivalent Ojinaga Formation across the Company's entire acreage position of 85,685 gross acres. Interpretation of the newly acquired 2D seismic has resulted in the Company forming the view that a 1,700 acre enclosure or trap at the Buda Formation level may be present at the Presidio 52#1 location. The interpreted trap is a 3-way fault closure at the Buda interval over 1,700 acres. In addition, there is an interpretated trap of approximately 1,300 acres at the Georgetown interval along with a further interpretated 150 acre trap at the Edwards interval. The opportunity to drill into the lower bench of the Ojinaga Shale Formation was present in all the proposed drilling location choices, including Presidio 52#1.

At the Presidio 52#1 well location, the lower bench of the Ojinaga Shale Formation is at a depth of approximately 6,950 feet and the bench is approximately 650 feet thick. The Presidio 52#1 well will be drilled to a total depth (**TD**) of 9,800 feet. The Presidio 52#1 well location permits a very cost-effective penetration into these Buda, Georgetown and Edwards interpreted traps as well as representing a prime location and depth for the Ojinaga Shale Formation. The Buda, Georgetown and Edwards are conventional oil plays where the Eagle Ford Shale sources the porous and naturally fractured limestone reservoirs. These older (deeper) Cretaceous units being the Buda, Georgetown and Edwards limestone formations will be found between approximately 8,474 feet (top of the Buda interval) to 8,605 feet (top of the Georgetown interval) to 9,244 feet (top of the Edwards interval) in the Presidio 52#1 well.

Eagle Ford Shale Formation

The tested oil analysis shows that the oil in the Ojinaga Shale Formation is sourced from the Eagle Ford shale. The Eagle Ford shale has an average thickness across the Presidio Oil Project of 460 feet. When the Presidio 52#1 well is drilled, the well will pass through the Eagle Ford Shale on the way to the Buda, Georgetown and Edwards Formations. The interpreted thickness of the Eagle Ford Shale at the Presidio 52#1 location is 866 feet.

Ojinaga Formation Play Area – 300,000 Acres

The Company's previously completed analysis of 88 miles of 2D seismic has established a thick presence of Austin Chalk age equivalent Ojinaga Formation across the Company's entire acreage position of 85,685 gross acres. The thickness of the Ojinaga Formation ranges from 1,000 feet in the eastern section of the Company's 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 Formation play area which is approximately 300,000 acres in size.

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. The new 11 miles of 2D seismic has easily mapped the lower bench of the Ojinaga Formation in the Presidio 52#1 well. At the Presidio 52#1 well location, the lower bench of the Ojinaga Shale Formation is between 6,950 and 7,600 feet and is therefore approximately 650 feet thick.

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#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.

Presidio 141#2 Well

Pressure build up testing of the Presidio 141#2 well occurred during the 6 month half ending on 31 December 2021. 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 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 the Company 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 has rebounded strongly in the past 6 months and is now approximately 5,100,000 bopd.

70%WI in 85,685 Gross Acres

The Company has 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 the Company in the Presidio Oil Project, namely, Presidio 141#2, Quinn Creek 141#1 and Quinn Mesa 113.

Leases Acquired or Disposed of During the Half Ending on 31 December 2021

No additional oil and gas leases were acquired or disposed of during the 6 month period ending on 31 December 2021. All 85,685 gross acres the subject of the Presidio Oil Project are located in the south-west portion of Presidio County, Texas and are the subject of oil and gas lease agreements entered into with private oil and gas mineral rights owners.

Helium Business Unit – China

During the 6 month period ending on 31 December 2021, on 1 November 2021, the Company commenced a new helium business unit in China. Through its wholly owned subsidiary, Helios Energy China Ltd, the Company entered into a boil-off gas (**BOG**) helium extraction joint venture with Chinese domestic liquefied natural gas (**LNG**) company, Ordos Xingxing Energy Limited Company (**Ordos Xingxing**), located in Ordos City, Inner Mongolia, China. Under the helium extraction joint venture agreement, Ordos Xingxing will provide all land, all BOG feed gas and all associated utilities for the helium extraction joint venture. The Company will construct at a cost of approximately US$3.0m, a new, leading edge helium gas extraction module immediately adjacent to one of Ordos Xingxing's LNG plants located in Inner Mongolia, China. As the operator and owner of the helium gas extraction plant, the Company will produce industrial grade liquid helium and own 100% of the liquid helium produced and sold. The Company expects the annual helium gas output from this dedicated module to be approximately 100,000 Nm^3 per year once the helium extraction module is running at full capacity. The Company will be one of the first companies to commercially extract material quantities of BOG helium in China, liquefy it and then sell it to domestic Chinese customers. The Company considers this helium extraction joint venture with Ordos Xingxing to be the first step in the development of its helium business unit. At full capacity from this dedicated module, the Company expects liquid helium sales to be approximately US$3.1m per annum.

Demand and Supply of Helium in China

The USA is the world's largest helium customer and producer. China is the 2nd largest helium consumer and accounts for more than 10% of global demand for helium. Helium resources are scarce in China and approximately 95% of all helium used in China is imported. The Company's use of unique and leading edge helium extraction and liquification technology provides a cost effective and reliable way to produce liquid helium. The joint venture with Ordos Xingxing aims to cheaply extract, liquify and profitably sell high quality helium to domestic Chinese customers.

Corporate

During the 6 month period ending on 31 December 2021, in July 2021, the Company conducted a capital raising of $4,862,500 by 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 jointly managed by CPS Capital Group Pty Ltd and Gleneagle Securities Pty Ltd. Settlement of the Placement was completed on Wednesday 28 July 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.

Competent Person's Statement

The information in this review of operations is based on information compiled or reviewed by Mr Neville Henry. Mr Henry is a qualified petroleum geologist with over 48 years of Australian, USA and other international technical, operational and executive petroleum experience in both onshore and offshore environments. He has extensive experience of petroleum exploration, appraisal, strategy development and reserve/resource estimation, as well as new oil and gas ventures identification and evaluation. Mr Henry has a BA (Honours) in geology from Macquarie University.

Subsequent Events

750,674,058 of the company's listed options (ASX: HE8OA) exercised prior to the year end, converted into fully paid ordinary shares of the company in January 2022 for $15,013,481.

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 state of affairs in future financial years.

Effect of Covid-19 Upon Operations During the Half Year

Like all other oil and gas companies operating in Texas, USA, 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 for the half year ended 31 December 2021 after providing for income tax was $2,505,342 (2020: Loss $2,162,389). The total comprehensive loss for the half year ended 31 December 2021 after providing for income tax was $1,412,964 (2020: $5,014,731). 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
16 March 2022

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

Level 9, Mia Yellagonga Tower 2
5 Spring Street
Perth, WA 6000
PO Box 700 West Perth WA 6872
Australia

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 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 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, 16 March 2022

	Note	2021 $	2020 $
Revenue from operations		19,682	24,334
Interest Revenue		164	272
Fair value (loss)/gain on investment	5	(55,895)	(91,350)
Administration costs		(1,144,760)	(391,985)
Corporate compliance costs		(90,888)	(44,201)
Corporate management fees		(25,591)	(39,000)
Personnel Cost		(1,432,586)	(730,798)
Audit fees		(26,099)	(14,640)
Production costs		(909)	(1,124)
Lease operating expenses		(26,933)	(22,397)
Share based payment expense	8	(165,045)	(776,325)
Foreign exchange gain/ (loss)		443,518	(75,175)
(Loss)/Profit before income tax		**(2,505,342)**	**(2,162,389)**
Income tax expense		-	-
(Loss)/Profit after income tax for the half-year		**(2,505,342)**	**(2,162,389)**
Other Comprehensive Loss			
Items that will be reclassified to profit or loss			
Foreign currency translation difference		1,092,378	(2,852,342)
Total comprehensive loss for the period attributable to the members of Helios Energy Ltd		**(1,412,964)**	**(5,014,731)**
		Cents	**Cents**
Loss per share for the period attributable to the members of the Company:			
Basic and diluted loss per share		(0.146)	(0.14)

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

Helios Energy Ltd
Consolidated Statement of Financial Position
As At 31 December 2021

ASSETS	Note	31 Dec 2021 $	30 June 2021 $
Current assets			
Cash and cash equivalents		26,540,668	9,903,911
Trade and other receivables		1,021,525	417,327
Total current assets		**27,562,193**	**10,321,238**
Non-current assets			
Exploration and evaluation expenditure	3	27,297,936	25,605,656
Right-of-use Asset	4	1,006,103	-
Investments	5	1,301,300	1,357,195
Total Non-current assets		**29,605,339**	**26,962,851**
Total assets		**57,167,532**	**37,284,089**
LIABILITIES			
Current liabilities			
Trade and other payables		537,486	362,988
Lease Liability	4	210,189	-
Share application held in trust	6	11,859,244	-
Total current liabilities		**12,606,919**	**362,988**
Non-current liabilities			
Lease Liability	4	859,799	-
Total non-current liabilities		859,799	**362,988**
Total liabilities		**13,466,718**	**362,988**
NET ASSETS		**43,700,814**	**36,921,101**
EQUITY			
Contributed equity	7	82,868,107	74,840,475
Reserves		1,712,304	454,881
Accumulated losses		(40,879,597)	(38,374,255)
TOTAL EQUITY		**43,700,814**	**36,921,101**

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

2021	**Contributed equity**	**Option reserve**	**Foreign currency translation reserve**	**Accumulated losses**	**Total**
	$	**$**	**$**	**$**	**$**
Balance 1 July 2021	74,840,475	1,364,904	(910,023)	(38,374,255)	**36,921,101**
Loss for the half-year	-	-	-	(2,505,342)	**(2,505,342)**
Exchange differences on translation of foreign operations	-	-	1,092,378	-	**1,092,378**
Total comprehensive gain (loss) for the half year	-	-	**1,092,378**	**(2,505,342)**	**(1,412,964)**
Transactions with owners in their capacity as owners:					
Contribution of equity (net of transaction costs)	4,547,322	-	-	-	**4,547,322**
Conversion of options to ordinary shares (net of transaction costs)	3,480,310	-	-	-	**3,480,310**
Issue of options	-	165,045	-	-	**165,045**
Balance 31 December 2021	**82,868,107**	**1,529,949**	**182,355**	**(40,879,597)**	**43,700,814**

2020	**Contributed equity**	**Option reserve**	**Foreign currency translation reserve**	**Accumulated losses**	**Total**
	$	**$**	**$**	**$**	**$**
Balance 1 July 2020	63,835,710	401,800	1,341,905	(34,631,098)	**30,948,317**
Loss for the half-year	-	-	-	(2,162,389)	**(2,162,389)**
Exchange differences on translation of foreign operations	-	-	(2,852,342)	-	**(2,852,342)**
Total comprehensive gain (loss) for the half year	-	-	**(2,852,342)**	**(2,162,389)**	**(5,014,731)**
Transactions with owners in their capacity as owners:					
Contribution of equity (net of transaction costs)	-	-	-	-	**-**
Conversion of options to ordinary shares	126,638	-	-	-	**126,638**
Issue of options	-	776,325	-	-	**776,325**
Balance 31 December 2020	**63,962,348**	**1,178,125**	**(1,510,437)**	**(36,793,487)**	**26,836,549**

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

	2021 $	2020 $
Cash flow from operating activities		
Interest received	164	272
Receipts from customers	19,682	129,881
Interest expense	(14,911)	-
Payments to suppliers and employees	(3,040,753)	(1,276,285)
Net cash outflow from operations	**(3,035,818)**	**(1,146,132)**
Cash flows from investing activities		
Payments for exploration and evaluation	(600,291)	(343,493)
Net cash outflow from investing activities	**(600,291)**	**(343,493)**
Cash flows from financing activities		
Proceeds from the issue of shares	4,892,500	-
Proceeds from exercise of options	15,339,554	136,488
Lease repayments	(72,719)	-
Costs associated with capital raising	(345,179)	(9,850)
Net cash inflow from financing activities	**19,814,156**	**126,638**
Net increase/(decrease) in cash and cash equivalents	**16,178,047**	**(1,362,987)**
Cash and cash equivalents at the beginning of the period	9,903,911	3,048,853
Effect of exchange rate changes on cash and cash equivalents	458,710	(75,175)
Cash and cash equivalents at the end of the period	**26,540,668**	**1,610,691**

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 (The Company), a public limited entity, and its controlled entities (The Group) for the half-year ended 31 December 2021.

(a) 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 2021 any public announcements made by the Company during the period from 1 July 2021 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 2021, 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 2021. Refer to Note 1(b) below.

(b) 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.

(c) 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.

(d) Leases

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 Group 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 Group 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.

(d) Leases (continued)

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

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 consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and consolidated 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 2021	30 June 2021
	$	$
Exploration and evaluation assets		
Reconciliation:		
Balance at the beginning of the period	25,605,656	27,346,991
Exploration costs	888,135	385,279
Foreign exchange difference on translation	804,145	(2,126,614)
Balance at the end of the period	**27,297,936**	**25,605,656**

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.

4 Leases

	31 December 2021	30 June 2021
	$	$
Amounts recognised in the balance sheet		
Rights-of-use asset		
Balance as at 1 July	-	-
Right-of-use assets recognised	1,127,751	-
Less: Depreciation	(121,648)	-
Closing balance, net of accumulated depreciation	**1,006,103**	**-**
Lease Liability		
Balance as at 1 July	-	-
Lease liabilities recognised	1,142,707	-
Less: lease payments	(72,719)	-
Closing balance	**1,069,988**	**-**
Current	210,189	-
Non-Current	859,799	-
Closing balance	**1,069,988**	**-**

5 Investments

	31 December 2021	30 June 2021
	$	$
Shares in Winchester Energy Limited		
Opening Balance	1,357,195	761,250
Additions	-	552,836
Funds pending allotment	-	447,164
Fair Value movement	(55,895)	(404,055)
Balance at the end of the period	**1,301,300**	**1,357,195**

At 31 December 2021 the total shares were valued at $1,301,300. Under AASB 9 Financial Instruments the investment has been classified as fair value through profit and loss.

6 Share Application Held in Trust

During the half year ended 31 December 2021, Helios received share capital funds for options which were exercised in December 2021. The shares have subsequently been issued in January 2022. Also refer Note 9 on subsequent events.

7 Contributed Equity

(a) Share Capital	Dec 2021 Shares	Dec 2021 $	June 2021 Shares	June 2021 $
Ordinary shares fully paid	1,853,375,385	82,868,107	1,651,104,002	74,840,475

(b) Movements in ordinary share capital:

Period ended 31 December 2021

Date	Details	Number of shares	Issue price	$
01/07/2021	Opening balance	**1,651,104,002**		**74,840,475**
30/07/2021	Share issue	32,616,668	0.150	4,892,500
30/08/2021	Conversion of options to ordinary shares	833,334	0.020	16,667
03/09/2021	Conversion of options to ordinary shares	5,000,000	0.020	100,000
14/09/2021	Conversion of options to ordinary shares	15,000,000	0.020	300,000
17/09/2021	Conversion of options to ordinary shares	41,750,000	0.020	835,000
01/11/2021	Conversion of options to ordinary shares	1,090,195	0.10	109,020
11/11/2021	Conversion of options to ordinary shares	40,000	0.020	800
15/11/2021	Conversion of options to ordinary shares	121,214	0.020	2,424
22/11/2021	Conversion of options to ordinary shares	978,812	0.020	19,577
23/11/2021	Conversion of options to ordinary shares	166,667	0.020	3,333
30/11/2021	Conversion of options to ordinary shares	11,192,416	0.020	223,849
15/12/2021	Conversion of options to ordinary shares	11,409,566	0.020	228,191
23/12/2021	Conversion of options to ordinary shares	19,469,461	0.020	389,389
30/12/2021	Conversion of options to ordinary shares	62,603,050	0.020	1,252,061
	Less capital raising costs			**(345,179)**
31/12/2021	Balance at end of period	**1,853,375,385**		**82,868,107**

7 Contributed Equity (continued)

Period ended 30 June 2021

Date	Details	Number of shares	Issue price	$
01/01/2021	Opening balance	1,547,933,919		63,972,198
18/01/2021	Conversion of options to ordinary shares	35,000	0.100	3,500
02/03/2021	Conversion of options to ordinary shares	250,000	0.100	25,000
04/03/2021	Share issue	95,333,357	0.120	11,440,003
10/03/2021	Share issue	100,000	0.120	12,000
10/03/2021	Share issue	300,000	0.150	43,500
10/03/2021	Less capital raising costs			(798,761)
29/03/2021	Conversion of options to ordinary shares	500,000	0.020	10,000
28/04/2021	Conversion of options to ordinary shares	500,000	0.020	10,000
18/05/2021	Conversion of options to ordinary shares	150,000	0.020	3,000
20/05/2021	Conversion of options to ordinary shares	3,333,334	0.020	66,667
25/05/2021	Conversion of options to ordinary shares	1,000,000	0.020	20,000
11/06/2021	Conversion of options to ordinary shares	500,000	0.020	10,000
16/06/2021	Conversion of options to ordinary shares	1,168,392	0.020	23,368
30/06/2021	Balance at end of period	**1,651,104,002**		**74,840,475**

8 Share Based Payments

	31 December 2021	30 June 2021
Unlisted Options	**No**	**No**
At the beginning of reporting period	39,155,000	25,000,000
Options Issued	-	15,000,000
Options Exercised	1,090,195	845,000
Options lapsed/cancelled	18,064,805	-
Balance at the end of the period	**20,000,000**	**39,155,000**

During the half year an expense of $165,045 was recognised for the vesting of options which were issued in the prior year.

9 After Reporting Date Events

750,674,058 of the company's listed options (ASX: HE8OA) exercised prior to the year end, converted into fully paid ordinary shares of the company in January 2022 for $15,013,481.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially positive for the consolidated entity up to 31 December 2021, 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 the State of Texas, the federal government of the USA, the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

There are no other events which have occurred subsequent to the reporting date which would require disclosure in the financial statements.

The Directors' of the Group declare that:

1 The interim financial statements and notes as set out on pages 8 to 16 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 2021 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
16 March 2022

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

Level 9, Mia Yellagonga Tower 2
5 Spring Street
Perth, WA 6000
PO Box 700 West Perth WA 6872
Australia

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 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 half-year ended on that date, a summary of significant 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 accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2021 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.*

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of 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 the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the 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 for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

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.

BDO Audit (WA) Pty Ltd

BDO

Jarrad Prue

Director

Perth, 16 March 2022