



# **Helios Energy Limited**

**Annual Report**

**30 June 2020**

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**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

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**Stock Exchange** Australian Securities Exchange (ASX)  
ASX Code: HE8 and HE8OA

**Website** [www.heliosenergy ltd.com](http://www.heliosenergy ltd.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 year ended 30 June 2020 (**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% 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.

### **Presidio 141#2 Well**

During the financial year, 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. 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 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.

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

#### **Continuing Natural Flow of the Presidio 141#2 Well**

In the last 3 months of the financial year ending on 30 June 2020, a further pressure build up test was conducted by Helios on the Presidio 141#2 well. After the pressure build up test was completed, the Presidio 141#2 well 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 Oil Project - 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 increased during the financial year by 50% from approximately 200,000 acres to approximately 300,000 acres in size.

**Reduction in Leasing Activities Late in the Financial Year Due to Low Oil Price**

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. Even though the play area has increased during the financial year to 300,000 gross acres as a result of the Company's activities during the financial year, due to the significant decline in the WTI oil price late in the financial year, prudence dictated a material reduction in cash expenditure deployed upon the purchase of additional oil and gas leases for the Presidio Oil Project until the WTI oil price improves.

**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 can be easily mapped. This gravity and magnetic data analysis have played an important part in increasing the Presidio Oil Project play area during the financial year to 300,000 acres.

**Additional 2020 Oil Wells Deferred Due to Low Oil Price**

The significant decline in the WTI oil price late in the financial year also means that plans for additional oil wells in the Presidio Oil Project in the latter half of the 2020 calendar year have had to be curtailed. Prudence dictated a material reduction in cash expenditure budgeted for additional oil wells whilst this low WTI oil price persists, even though the play area has increased to 300,000 gross acres as a result of the Company's work during the financial year.

**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.

**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 epicentre 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 4,100,000 bopd.

#### **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  $\mu$ 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  $\mu$ d). 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.

#### **Well Location Identification**

Helios will continue to integrate the geological and geophysical data with the aim of high grading multiple well locations that target the Ojinaga Formation, the Eagle Ford Formation as well as the older Cretaceous units being the Buda, Georgetown and Edwards limestone formations.

#### **High Quality Oil**

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

#### **Easily Fracked Lower Bench**

The frack of the lower bench of the Ojinaga Formation in the Quinn Creek 141 discovery well resulted in the successful injection of approximately 200,000 pounds of proppant (approximately 1,500 pounds of proppant per foot) and approximately 10,000 barrels of completion fluid (approximately 75 barrels of completion fluid per foot) and was deployed easily and without complications. At 1,500 pounds of proppant per foot this frack can be considered a "light frack". Leading oil players in the Permian Basin in west Texas are commonly injecting 3,000 pounds of proppant per foot. Generally speaking, the greater the amount of proppant injected per foot (all other factors remaining equal) the higher the levels of 30 day initial oil production (**30 Day IP**) and estimated ultimate recovery (**EUR**) of oil. High density of natural fractures and lithofacies are shown consistently from the formation micro imaging (**FMI**) logs and sonic logs taken from both the Quinn Creek 141 vertical well and the Presidio 141#2 horizontal well. X-ray powder diffraction (**XRD**) results of the sidewall cores taken from the Presidio 141#2 well shows that the lower bench of the Ojinaga Formation has a high percentage of non-clay content. This increases the rock brittleness and makes the rock easily frackable.

#### **Oil and Gas Leases Held on 30 June 2020**

##### **Presidio Oil Project**

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

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the 3 wells drilled by Helios in the Presidio Oil Project, namely, Presidio 141#2, Quinn Creek 141 and Quinn Mesa 113.

### **Corporate Activity – Completion of \$5,212,800 Capital Raising**

On 27 November 2019, Helios Energy Ltd completed 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 were used for working capital purposes.

### **Operating Result**

The loss from operations as at the 30 June 2020 after providing for income tax was \$8,817,519 (2019: loss of \$2,830,967). 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.

Since balance date 1,200,000 options have been converted to shares to the value of \$24,000.

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

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)

### 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 13 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

Listed options: Nil

**Nicholas Ong (Non-Executive Director)**

**Experience and Expertise**

Mr Ong spent seven years as a Principal Advisor at the ASX overseeing the listings of over a hundred public companies. He has since worked as a company secretary and director to listed companies and has developed a wide network of private client advisers, high net worth individuals and sovereign fund managers.

**Other Current Directorships**

White Cliff Minerals Ltd since 14 December 2018

Vonex Limited since 14 June 2016

Black Star Petroleum Ltd since 31 July 2018.

**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 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

**Directors' Interests in Shares and Options**

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

<b>2020 Name</b>	<b>Ordinary Shares</b>	<b>Options Listed</b>	<b>Performance Rights</b>
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	-	-

**Meetings of Directors**

There were no meetings of the Company's Board of Directors held during the financial year up to and including 30 June 2020.

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

**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

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**Remuneration Report** (continued)

(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 2020.

**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.

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue	8,455	16,438	49,119	43,337	237,979
Net profit/ (loss)	(188,579)	979,768	(2,286,262)	(2,830,967)	(8,817,519)
Share price at year end	0.020	0.020	0.058	0.165	0.093
Profit/(loss) per share (cents)	(0.08)	0.22	(0.17)	(0.20)	(0.58)

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**Remuneration Report** (continued)

***Comments and Voting at Annual General Meeting***

There were no comments or questions arising at the 2019 annual general meeting regarding remuneration. The Company remuneration report was passed by the requisite majority of shareholders (100% by a show of hands).

**2 Details of Remuneration**

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

<b>Directors:</b>	<b>Position:</b>	<b>Date Appointed</b>	<b>Date Ceased</b>
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:

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

<b>2019</b> <b>Name</b>	<b>Short-term benefits</b>	<b>Post-employment benefits</b>	<b>Share based payments</b>		<b>Total</b>	<b>Fixed remuneration</b>	<b>At risk – LTI</b>
	<b>Cash salary and fees</b>	<b>Superannuation</b>	<b>Equity settled shares</b>	<b>Equity settled options</b>		<b>%</b>	<b>%</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>	<b>%</b>
<b>Executive Directors:</b>							
R He	335,504	-	-	-	335,504	100%	-
<b>Non-Executive Directors</b>							
H Ye	48,000	-	-	-	48,000	100%	-
N Ong	30,000	-	-	-	30,000	100%	-
R Bearden	48,000	-	-	-	48,000	100%	-
<b>TOTAL</b>	<b>465,504</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>465,504</b>		

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**Remuneration Report** (continued)

**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: Mr Hui Ye  
Title: Non-Executive Chairman  
Agreement commenced: 1 December 2017  
Term of agreement: 3 years  
Details: 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: Mr Richard He  
Title: Managing Director  
Agreement commenced: 20 October 2017  
Term of agreement: 2 years  
Details: 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: Mr Nicholas Ong  
Title: Non-Executive Director  
Agreement commenced: 4 August 2017  
Term of agreement: 3 years  
Details: 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: Mr Robert Bearden  
Title: Non-Executive Director  
Agreement commenced: 14 February 2018  
Term of agreement: 3 years  
Details: 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.

**Remuneration Report** (continued)

**4 Performance-based Remuneration**

There has been no performance based remuneration paid to directors and key management personnel in the current or previous period. 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 2 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. It is anticipated that in the forthcoming reporting period a proposal may be put to Helios shareholders regarding performance based remuneration for non-executive directors.

**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 2020 are as follows:

2020 Name	Held at 1/7/2019	Options acquired	Other movements	Held at 30/6/2020	Vested and exercisable at 30/6/2020
<b>Directors:</b>					
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	-	-	-	-	-
<b>Total</b>	<b>461,328,162</b>	<b>-</b>	<b>-</b>	<b>461,328,162</b>	<b>461,328,162</b>

**(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:

2020 Name	Held at 1/7/2019	Shares acquired	Other changes	Balance 30/6/2020
<b>Directors:</b>				
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
<b>Total</b>	<b>550,136,269</b>	<b>-</b>	<b>-</b>	<b>550,136,269</b>

**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.

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**Remuneration Report** (continued)

**(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:

2020 Name	Held at 1/7/2019	Performance rights allotted	Performance rights expired	Balance 30/6/2020
<b>Directors:</b>				
Hui Ye	-	-	-	-
Richard He (1)	50,100,000	-	-	50,100,000
Nicholas Ong	-	-	-	-
Robert Bearden	-	-	-	-
<b>Total</b>	<b>50,100,000</b>	<b>-</b>	<b>-</b>	<b>50,100,000</b>

(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 930,164,745 share options on issue which are exercisable at 2 cents each on or before 31 December 2021, 10,000,000 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 and a further 5,000,000 share options which are exercisable at 22 cents each on or before 31 December 2023.

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.

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### **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.

### **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 (2019: nil) 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 2020**



## 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 2020, 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.



Jarrad Prue  
Director

BDO Audit (WA) Pty Ltd  
Perth, 30 September 2020

**Helios Energy Ltd**  
**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
**For the year ended 30 June 2020**

	Note	2020 \$	2019 \$
Revenue from operations	5	123,708	-
Other income	6	114,271	43,337
Fair value (loss)/gain on investment	10	(52,250)	104,500
Administration costs	7	(2,990,117)	(2,787,415)
Operating costs		(49,778)	-
Corporate compliance costs		(101,112)	(80,010)
Corporate management fees		(55,458)	(82,000)
Audit and non-audit service fees		(37,758)	(29,379)
Impairment expense	11	(5,769,025)	-
<b>Profit / (Loss) before income tax</b>		<b>(8,817,519)</b>	<b>(2,830,967)</b>
Income tax expense	8	-	-
<b>Profit / (Loss) after tax from operations</b>		<b>(8,817,519)</b>	<b>(2,830,967)</b>
<b>Other Comprehensive Income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Exchange difference on translation		560,322	498,730
<b>Total comprehensive loss for the year attributable to the members of Helios Energy Ltd</b>		<b>(8,257,197)</b>	<b>(2,332,237)</b>
		<b>Cents</b>	<b>Cents</b>
Gain/(Loss) per share for loss from continuing operations attributable to the ordinary equity holders of the Company:			
<b>Basic gain/(loss) per share</b>	19	(0.58)	(0.20)
<b>Diluted earnings per share</b>	19	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.

**Helios Energy Ltd**  
**Consolidated Statement of Financial Position**  
**As at 30 June 2020**

<b>ASSETS</b>	<b>Note</b>	<b>30 June 2020</b>	<b>30 June 2019</b>
		<b>\$</b>	<b>\$</b>
<b>Current assets</b>			
Cash and cash equivalents	9	3,048,853	8,393,213
Trade and other receivables		197,910	89,494
<b>Total current assets</b>		<b>3,246,763</b>	<b>8,482,707</b>
<b>Non-current assets</b>			
Investments	10	761,250	313,500
Exploration and Evaluation Expenditure	11	27,346,991	27,139,905
<b>Total Non-current assets</b>		<b>28,108,241</b>	<b>27,453,405</b>
<b>Total assets</b>		<b>31,355,004</b>	<b>35,936,112</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	12	406,687	1,962,690
<b>Total current liabilities</b>		<b>406,687</b>	<b>1,962,690</b>
<b>Total liabilities</b>		<b>406,687</b>	<b>1,962,690</b>
<b>NET ASSETS</b>		<b>30,948,317</b>	<b>33,973,422</b>
<b>EQUITY</b>			
Contributed equity	13	63,835,710	58,606,618
Reserves	13	1,743,705	1,180,383
Accumulated losses	14	(34,631,098)	(25,813,579)
<b>TOTAL EQUITY</b>		<b>30,948,317</b>	<b>33,973,422</b>

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

**Helios Energy Ltd**  
**Consolidated Statement of Changes in Equity**  
**For the year ended 30 June 2020**

2020	Share capital	Option reserve	Foreign Currency Reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
<b>Balance 1 July 2019</b>	<b>58,606,618</b>	<b>398,800</b>	<b>781,583</b>	<b>(25,813,579)</b>	<b>33,973,422</b>
Profit/(Loss) for the year	-	-	-	(8,817,519)	(8,817,519)
Exchange differences on translation of foreign operations	-	-	560,322	-	560,322
<b>Total comprehensive income / (loss) for year</b>	<b>-</b>	<b>-</b>	<b>560,322</b>	<b>(8,817,519)</b>	<b>(8,257,197)</b>
<b>Transactions with owners in their capacity as owners:</b>					
Contribution of equity	5,623,594	-	-	-	5,623,594
Less capital raising costs	(391,502)	-	-	-	(391,502)
Options issued	(3,000)	3,000	-	-	-
<b>Balance 30 June 2020</b>	<b>63,835,710</b>	<b>401,800</b>	<b>1,341,905</b>	<b>(34,631,098)</b>	<b>30,948,317</b>
<b>2019</b>	<b>Share capital</b>	<b>Option reserve</b>	<b>Foreign Currency Reserve</b>	<b>Accumulated losses</b>	<b>Total</b>
	\$	\$	\$	\$	\$
<b>Balance 1 July 2018</b>	<b>49,097,486</b>	<b>389,800</b>	<b>282,853</b>	<b>(22,982,612)</b>	<b>26,787,527</b>
Profit/(Loss) for the year	-	-	-	(2,830,967)	(2,830,967)
Exchange differences on translation of foreign operations	-	-	498,730	-	498,730
<b>Total comprehensive income / (loss) for year</b>	<b>-</b>	<b>-</b>	<b>498,730</b>	<b>(2,830,967)</b>	<b>(2,332,237)</b>
<b>Transactions with owners in their capacity as owners:</b>					
Contribution of equity	10,244,688	-	-	-	10,244,688
Less capital raising costs	(726,556)	-	-	-	(726,556)
Options issued	(9,000)	9,000	-	-	-
<b>Balance 30 June 2019</b>	<b>58,606,618</b>	<b>398,800</b>	<b>781,583</b>	<b>(25,813,579)</b>	<b>33,973,422</b>

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

**Helios Energy Ltd**  
**Consolidated Statement of Cash Flows**  
**For the year ended 30 June 2020**

	Note	2020	2019 \$
<b>Cash flow from operating activities</b>			
Receipts from operations		120,642	-
Interest received		4,298	43,337
Payments to suppliers and employees		<u>(4,784,521)</u>	<u>(1,964,155)</u>
<b>Net cash outflow from operations</b>	<b>18</b>	<b><u>(4,659,581)</u></b>	<b><u>(1,920,818)</u></b>
<b>Cash flows from investing activities</b>			
Payments for exploration and evaluation		(5,416,871)	(10,420,623)
Purchase of financial assets	10	<u>(500,000)</u>	<u>(209,000)</u>
<b>Net cash outflow from investing activities</b>		<b><u>(5,916,871)</u></b>	<b><u>(10,629,623)</u></b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of shares		5,595,048	10,192,813
Costs associated with capital raising		<u>(362,956)</u>	<u>(674,681)</u>
<b>Net cash inflow from financing activities</b>		<b><u>5,232,092</u></b>	<b><u>9,518,132</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>(5,344,360)</u></b>	<b><u>(3,032,309)</u></b>
Cash and cash equivalents at the beginning of the year		<u>8,393,213</u>	<u>11,425,522</u>
<b>Cash and cash equivalents at the end of the year</b>	<b>9</b>	<b><u>3,048,853</u></b>	<b><u>8,393,213</u></b>

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

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## **1 Summary of significant accounting policies**

### **(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 year ended 30 June 2020 of \$8,817,519 (30 June 2019: \$2,830,967) and net cash outflows from operating and investing activities of \$10,576,452 (30 June 2019: \$12,550,441). At 30 June 2020, the group had \$3,048,853 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 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 2020. 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 2020.

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.

**1 Summary of significant accounting policies** (continued)

**(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.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

- AASB 16 Leases; and
- Interpretation 23 Uncertainty over Income Tax Treatments.

*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.

*Impact of adoption*

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. There was no material impact on adoption of the standard and no adjustment made to current or prior period amounts. The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of offices that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

*Interpretation 23 Uncertainty over Income Tax*

The Group has adopted Interpretation 23 from 1 July 2019. The interpretation clarifies how to apply the recognition and measurement requirements of AASB 112 'Income Taxes' in circumstances where uncertain tax treatment exists. The interpretation requires: the Group to determine whether each uncertain tax treatment should be treated separately or together, based on which approach better predicts the resolution of the uncertainty; the Group to consider whether it is probable that a taxation authority will accept an uncertain tax treatment, it shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates, measuring the tax uncertainty based on either the most likely amount or the expected value. In making the assessment it is assumed that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. Interpretation 23 was adopted using the modified retrospective approach and as such comparatives have not been restated. There was no impact of adoption on opening retained profits as at 1 July 2019.

**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 2020 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.

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**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.

**1 Summary of significant accounting policies** (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(h). 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

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**1 Summary of significant accounting policies** (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.

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**1 Summary of significant accounting policies** (continued)

**(q) 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 2020. 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.

**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.

<b>2020</b>	<b>Floating interest rate</b>	<b>Non-interest bearing</b>	<b>Total</b>	<b>Weighted average effective interest rate</b>
<b>Financial Instruments</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>
<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	-
<b>Total financial assets</b>	<b>2,996,253</b>	<b>1,011,760</b>	<b>4,008,013</b>	

**2 Financial Risk Management** (continued)

2019	Floating interest rate	Non-interest bearing	Total	Weighted average effective interest rate
Financial Instruments	\$	\$	\$	%
<i>(i) Financial assets</i>				
Cash assets	6,805,911	1,587,302	8,393,213	0.552
Trade & other receivables		89,494	89,494	-
Investments	-	313,500	313,500	-
<b>Total financial assets</b>	<b>6,805,911</b>	<b>1,990,296</b>	<b>8,796,207</b>	

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 the trade and other payables balance are all less than 6 months.

**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	2020	2019
	\$	\$
Westpac Banking Corporation - AA	3,004,450	7,006,202
JPMorgan Chase Bank - A-	44,403	1,387,011
	<b>3,048,853</b>	<b>8,393,213</b>

**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.

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**2 Financial Risk Management** (continued)

<b>Consolidated 2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	3,048,853	-	-
Trade & other receivables - current	197,910	-	-
Investments	761,250	-	-
	<b>4,008,013</b>	<b>-</b>	<b>-</b>

<b>Consolidated 2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	\$	\$	\$
<b>Financial Liabilities</b>			
Trade and other payables - current	406,687	-	-
	<b>406,687</b>	<b>-</b>	<b>-</b>

<b>Consolidated 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	8,393,213	-	-
Trade & other receivables - current	89,494	-	-
Investments	313,500	-	-
	<b>8,796,207</b>	<b>-</b>	<b>-</b>

<b>Consolidated 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	\$	\$	\$
<b>Financial Liabilities</b>			
Trade and other payables - current	1,962,690	-	-
	<b>1,962,690</b>	<b>-</b>	<b>-</b>

**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

**3 Critical Accounting Estimates, Judgements and Assumptions** (continued)

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 for further details.

**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.

<b>5</b>	<b>Revenue from operations</b>	<b>2020</b>	<b>2019</b>
		\$	\$
	Oil Sales	123,708	-
		<b>123,708</b>	<b>-</b>
<b>6</b>	<b>Other income</b>	<b>2020</b>	<b>2019</b>
		\$	\$
	Interest received	4,298	43,337
	COVID-19 Financial Assistance	109,648	-
	Miscellaneous Income	325	-
		<b>114,271</b>	<b>43,337</b>

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<b>7 Administration Costs</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Administration & accounting consultancy fees	(652,315)	(652,451)
General legal fees	(88,288)	(59,435)
Advertising & marketing costs	(45,500)	(62,400)
Contract Labour	(74,459)	(63,115)
Personnel – USA based	(1,578,579)	(1,522,055)
Telecommunication costs	(20)	(280)
Travel costs	(382,072)	(277,270)
Depreciation expense	(1,082)	(718)
General insurance costs	(110,123)	(98,459)
Other	(57,679)	(51,232)
<b>Total Administration Costs</b>	<b>(2,990,117)</b>	<b>(2,787,415)</b>
<b>8 Income Tax Expense</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>a. The components of tax expense comprise:</b>		
Current tax	-	-
Deferred tax	-	-
Under provision from prior year	-	-
	<u>-</u>	<u>-</u>
<b>b. The prima facie tax benefit on profit / (loss) from ordinary activities before income tax is reconciled to income tax as follows:</b>		
Prima facie tax benefit on profit / (loss) from ordinary activities before income tax at 30% (2019:30%)	(2,644,956)	(849,290)
Add tax effect of:		
- Revenue losses not recognised	659,365	656,917
- Other non-allowable items	1,731,375	31,871
- Differences in tax rate of subsidiaries operating in other jurisdictions	216,897	223,321
- Other deferred tax balances not recognised	37,319	-
	<u>-</u>	<u>62,819</u>
Less tax effect of:		
- Other deferred tax balances not recognised	-	62,819
Income tax	<u>-</u>	<u>-</u>
<b>c. Unrecognised deferred tax assets:</b>		
Carry forward revenue losses	2,526,209	2,076,983
Carry forward capital losses	4,265,958	4,265,958
Capital raising costs	68,887	65,692
Provisions and accruals	26,838	4,119
Investments	15,675	(31,350)
Exploration	(205,567)	-
Other	553	553
<b>Net deferred tax</b>	<b><u>6,698,553</u></b>	<b><u>6,381,955</u></b>

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.

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<b>9 Current assets – Cash and cash equivalents</b>	<b>2020</b>	<b>2019</b>
	\$	\$
Cash at bank and in hand	3,048,853	8,393,213
Closing balance cash at bank and in hand	<u>3,048,853</u>	<u>8,393,213</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

<b>10 Investments</b>	<b>2020</b>	<b>2019</b>
	\$	\$
Shares in Winchester Energy Limited		
Opening fair value	313,500	-
Additions	500,000	209,000
Fair value movement	(52,250)	104,500
Closing fair value	<u>761,250</u>	<u>313,500</u>

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

<b>11 Exploration and Evaluation Expenditure</b>	<b>2020</b>	<b>2019</b>
	\$	\$
Exploration and Evaluation Phase		
Opening balance	27,139,905	16,221,270
Exploration costs	5,405,179	10,274,372
Foreign exchange difference on translation	570,932	644,263
Impairment expense (1)	(5,769,025)	-
<b>Closing balance</b>	<u>27,346,991</u>	<u>27,139,905</u>

(1) The Trinity leases have expired during the period 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.

<b>12 Trade and other payables</b>	<b>2020</b>	<b>2019</b>
	\$	\$
Trade and other payables – current and unsecured	406,687	1,962,690
	<u>406,687</u>	<u>1,962,690</u>

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

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**13 Contributed Equity**

(a) Share Capital	2020 Shares	2020 \$	2019 Shares	2019 \$
Ordinary shares fully paid	1,543,349,506	63,835,710	1,496,670,252	58,606,618

**(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	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
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
<b>30/06/2020</b>	<b>Balance</b>	<b><u>1,543,349,506</u></b>		<b><u>63,835,710</u></b>

2019 Date	Details	Number of shares	Issue price	Amount \$
01/07/2018	Opening balance	1,414,580,348		49,097,486
28/08/2018	Conversion of options to ordinary shares	500,000	0.02	10,000
14/09/2018	Conversion of options to ordinary shares	200,000	0.02	4,000
25/09/2018	Conversion of options to ordinary shares	166,667	0.02	3,333
05/10/2018	Conversion of options to ordinary shares	200,000	0.02	4,000
16/11/2018	Conversion of options to ordinary shares	474,000	0.02	9,480
03/12/2018	Conversion of options to ordinary shares	600,000	0.02	12,000
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
<b>30/06/2019</b>	<b>Balance</b>	<b><u>1,496,670,252</u></b>		<b><u>58,606,618</u></b>

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**13 Contributed Equity (continued)**

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	2020 Number	2020 \$	2019 Number	2019 \$
	956,364,745	401,800	970,477,210	398,800

**(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)	-
<b>30/06/2020</b>	<b>Balance</b>	<b>956,364,745</b>	<b>401,800</b>

2019 Date	Details	Number of options	Amount \$
01/07/2018	Opening balance	965,117,877	389,800
28/08/2018	Conversion of options to ordinary shares	(500,000)	-
14/09/2018	Conversion of options to ordinary shares	(200,000)	-
25/09/2018	Conversion of options to ordinary shares	(166,667)	-
05/10/2018	Conversion of options to ordinary shares	(200,000)	-
16/11/2018	Conversion of options to ordinary shares	(474,000)	-

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**13 Contributed Equity (continued)**

<b>2019</b>		<b>Number of</b>	<b>Amount</b>
<b>Date</b>	<b>Details</b>	<b>options</b>	<b>\$</b>
03/12/2018	Conversion of options to ordinary shares	(600,000)	-
13/02/2019	Broker options exercisable at \$0.15 on or before 31/12/2021. Issued at 13/02/19 value 0.0009	10,000,000	9,000
27/02/2019	Conversion of options to ordinary shares	(500,000)	-
18/06/2019	Conversion of options to ordinary shares	(2,000,000)	-
<b>30/06/2019</b>	<b>Balance</b>	<b>970,477,210</b>	<b>398,800</b>

**Major Terms and Conditions of Options**

	Number of options	Issue date	Expiry date	Exercise price
Listed	931,364,745	07/04/2017	31/12/2021	\$0.02
Unlisted	10,000,000	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

Options were issued to brokers as part of the capital raising on 13 December 2019 at a value of \$0.0006. These options are exercisable at \$0.22 on or before 31/12/2022. The options were issued in consideration for services rendered to the Group, and the valuation of the options has been assessed based on the fair value of the services rendered.

**(e) Options**

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

<b>2020</b>	<b>No. of</b>	<b>Expiry</b>	<b>Exercise</b>
<b>Options</b>	<b>Options</b>	<b>Date</b>	<b>Price</b>
	<b>Outstanding</b>		
	930,164,745	31/12/2021	\$0.02
	10,000,000	31/12/2021	\$0.10
	10,000,000	31/12/2021	\$0.15
	5,000,000	31/12/2022	\$0.22
<b>TOTAL</b>	<b>955,164,745</b>		

**(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:

	<b>Performance Rights</b>
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

**13 Contributed Equity** (continued)

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**

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

<b>2019</b>		<b>Number of</b>	<b>Issue</b>	<b>Amount</b>
<b>Date</b>	<b>Details</b>	<b>rights</b>	<b>price</b>	<b>\$</b>
01/07/2018	Opening balance	240,000,000		-
<b>30/06/2019</b>	<b>Closing Balance</b>	<b>240,000,000</b>		<b>-</b>

<b>(h) Reserves</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Foreign Currency Reserve	1,341,905	781,583
Option Reserve	401,800	398,800
	<b>1,743,705</b>	<b>1,180,383</b>

*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.

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**13 Contributed Equity** (continued)

**(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.

<b>14 Accumulated Losses</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Movements in accumulated losses:		
Balance at the beginning of the period	(25,813,579)	(22,982,612)
Net profit/(loss) from continuing operations	(8,817,519)	(2,830,967)
<b>Balance at the end of the year</b>	<b>(34,631,098)</b>	<b>(25,813,579)</b>

**15 Dividends**

There were no dividends recommended or paid during the financial year (2019: nil).

**16 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**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	483,404	465,504
Share based payments	-	-
Post-employment benefits	-	-
	<b>483,404</b>	<b>465,504</b>

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 and Helios Energy USA 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 (2019: \$Nil).

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**17 Remuneration of Auditors**

<b>Assurance Services</b>	<b>2020</b>	<b>2019</b>
<i>Audit Services</i>	\$	\$
Amounts paid/payable to BDO Audit (WA) Pty Ltd for audit and review of the financial reports	38,408	29,379
	<hr/>	<hr/>
<i>Non-Audit Services</i>		
Amounts paid/payable to BDO Corporate Tax (WA) Pty Ltd for taxation services	7,725	-
	<hr/>	<hr/>

**18 Reconciliation of Loss After Income Tax to Net Cash Outflow from Operating Activities**

	<b>2020</b>	<b>2019</b>
	\$	\$
Profit / (Loss) for the year	(8,817,519)	(2,830,967)
<b>Non cash items</b>		
Non cash fair value (loss)/gain on investments	52,250	(104,500)
Impairment expense	5,769,025	-
Depreciation expense	1,082	-
<b>Changes in operating assets and liabilities:</b>		
Net movement in trade receivables and payables		
(Increase) in trade and other receivables	(114,916)	(59,887)
Decrease in prepayments	6,500	-
Increase / (decrease) in trade and other payables	(1,556,003)	1,073,818
<b>Net cash outflow from operating activities</b>	<b>(4,659,581)</b>	<b>(1,920,818)</b>
<b>Non-cash investing and financing activities</b>		
Issue of ordinary shares for capital raising services	25,545	42,875
Issue of listed options for capital raising services	3,000	9,000
	<hr/> <b>28,545</b> <hr/>	<hr/> <b>51,875</b> <hr/>

Refer to note 13 for share based payments.

**19 Earnings Per Share**

	<b>2020</b>	<b>2019</b>
<b>(a) Reconciliation of earnings to loss</b>	<b>\$</b>	<b>\$</b>
(Loss)/Profit after tax	(8,817,519)	(2,830,967)
Earnings used to calculate earnings per share	(8,817,519)	(2,830,967)
<b>(b) Weighted Average Number of Shares</b>	<b>2020</b>	<b>2019</b>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used as the denominator in calculating basic profit / (loss) per share	1,521,173,975	1,448,588,091
Basic earnings per share	(0.58)	(0.20)

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**19 Earnings Per Share** (continued)

The effect of the potential ordinary shares is anti-dilutive in the calculation of Earnings per Share in the year ending 30 June 2020, and therefore are not included in the calculation of diluted earnings per share. The options could potentially dilute earnings per share in the future.

**20 Commitments and Contingent Liabilities**

As part of the acquisition of the Trinity Oil Project and 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.

**21 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.

Since balance date 1,200,000 options have been converted to shares to the value of \$24,000.

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

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**22 Helios Energy Ltd Parent Company Information**

<b>Statement of financial position</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
Total current assets	3,013,313	7,194,100
Total non current assets	28,056,490	26,779,322
<b>Total assets</b>	<b>31,069,803</b>	<b>33,973,422</b>
<b>Liabilities</b>		
Total current liabilities	121,486	129,085
<b>Total liabilities</b>	<b>121,486</b>	<b>129,085</b>
<b>Net Assets</b>	<b>30,948,317</b>	<b>33,844,337</b>
<b>Equity</b>		
Contributed equity	63,835,711	58,606,618
Option premium reserve	401,800	398,800
Accumulated losses	(33,289,194)	(25,161,081)
<b>Total Equity</b>	<b>30,948,317</b>	<b>33,844,337</b>

**23 Subsidiaries**

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

<b>Name of entity</b>	<b>Country of Incorporation</b>	<b>Class of shares</b>	<b>Equity holding 2020</b>	<b>Equity holding 2019</b>
Helios Energy USA, Ltd <sup>1</sup>	USA	Ordinary	100%	100%
Helios Operating, LLC	USA	Ordinary	100%	100%

<sup>1</sup> Holding company for Helios Operating, LLC

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**Helios Energy Ltd**  
**Directors' Declaration**  
**30 June 2020**

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The Directors' of the Company declare that:

- 1 The financial statements and notes as set out on pages 16 to 39 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 2020 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 2020**

## 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 2020, 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 2020 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.

#### Material uncertainty related 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 opinion is not modified in respect of this matter.

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## 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. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

### Carrying Value of Exploration and Evaluation Assets

Key audit matter	How the matter was addressed in our audit
<p>The carrying value of exploration and evaluation assets represents a significant asset of the Group. Refer to Note 1 (I) and Note 10 of the Financial Report for a description of the accounting policy and significant judgements applied to capitalised exploration and evaluation assets.</p> <p>In accordance with AASB 6 Exploration for and Evaluation of Mineral Resources (AASB 6), the recoverability of exploration and evaluation expenditure requires significant judgment by management in determining whether there are any facts or circumstances that exist to suggest that the carrying amount of this asset may exceed its recoverable amount. As a result, this is considered a key audit matter.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Obtaining a schedule of the areas of interest held by the Group and assessing whether the rights to tenure of those areas of interest remained current at balance date;</li> <li>• Considering the status of the ongoing exploration programmes in the respective areas of interest by holding discussions with management, and reviewing the Group's exploration budgets, ASX announcements and directors' minutes;</li> <li>• Considering whether any such areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed;</li> <li>• Evaluating the basis for impairment recognised for one area of interest;</li> <li>• Considering whether any facts or circumstances existed to suggest further impairment testing was required; and</li> <li>• Assessing the adequacy of the related disclosures in Note 1 (I) and Note 11 to the Financial Report.</li> </ul>

## 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 2020, 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 at:

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf)

This description forms part of our auditor's report.

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## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 13 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Helios Energy Limited, for the year ended 30 June 2020, 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

A handwritten signature in black ink, appearing to read 'J Prue'.

Jarrad Prue

Director

Perth, 30 September 2020

**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 (3<sup>rd</sup> 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 4.1		✓
Recommendation 4.2	✓	
Recommendation 4.3	✓	
Recommendation 5.1	✓	
Recommendation 6.1	✓	
Recommendation 6.2	✓	
Recommendation 6.3	✓	
Recommendation 6.4		✓
Recommendation 7.1		✓
Recommendation 7.2	✓	
Recommendation 7.3		✓
Recommendation 7.4	✓	
Recommendation 8.1		✓
Recommendation 8.2	✓	
Recommendation 8.3	✓	

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**Disclosure – Principles & Recommendations - financial year 2019/2020**

**Principle 1 – Lay solid foundations for management and oversight**

**Recommendation 1.1:**

*A listed entity should disclose the respective roles and responsibilities of its board and management and those matters expressly reserved to the Board and those delegated to management and disclose those functions.*

**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 undertake appropriate checks before appointing a person or putting forward to security holders a candidate for election, as a director and 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 (3<sup>rd</sup> edition) about any candidate to be elected for the first time or re-elected to enable an informed decision to be made.

**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 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 establish a policy concerning diversity and disclose the policy or summary of the policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.*



**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 have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors and whether a performance evaluation was undertaken in the reporting period in accordance with that process.*

**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 have and disclose a process for periodically evaluating the performance of senior executives and whether a performance evaluation was undertaken in the reporting period in accordance with that process.*

**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 establish a Nomination Committee which the majority should be independent directors (including the Chair).*

**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.

**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.

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	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 to be independent directors and 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.*

**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.

**Recommendation 2.6:**

*A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and 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 have a Code of Conduct for its directors, senior executives and employees.*

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**Disclosure:**

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

**Principle 4 – Safeguard integrity in corporate reporting**

**Recommendation 4.1**

*The Board of a listed entity should have an Audit Committee.*

**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 Company'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:**

This recommendation is included as part of the Audit Committee Charter adopted by the Board.

**Recommendation 4.3**

*A listed entity should ensure that the external auditor is present at the AGM and be available to answer questions from security holders relevant to the audit.*

**Disclosure:**

The Company invites the auditor or representative of the auditor to the AGM.

**Principle 5 – Make timely and balanced disclosure**

**Recommendation 5.1:**

*A listed entity should have a written policy for complying with its continuous disclosure obligations under the Listing Rules.*

**Disclosure:**

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

**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 design and implement an investor relations program to facilitate 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 the policies and processes it has in place to facilitate and encourage 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 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.

**Principle 7 – Recognise and manage risk**

**Recommendation 7.1:**

*The Board of a listed entity should have a committee or committees to oversee risk.*

**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 of a listed entity should review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and disclose 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.

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**Recommendation 7.3:**

*A listed entity should disclose if it has an internal audit function.*

**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:**

*The Company should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.*

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 have a Remuneration Committee.*

**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. 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 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 disclose that policy or summary of it.*

**Disclosure:**

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

The shareholder information set out below was applicable as at 29 September 2020

**1 Distribution of Equity Securities**

Analysis of numbers of security holders by size of holding:

			<b>Number</b>
1	-	1,000	61
1,001	-	5,000	133
5,001	-	10,000	137
10,001	-	100,000	527
100,001	-	and over	428
			<b>1,286</b>

There were 83 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:

<b>Ordinary Shares (Holders with 5% or more)</b>		<b>Percentage of issued shares</b>
<b>Name</b>	<b>Number held</b>	
Notable Pioneer Limited	473,998,197	30.69%
Mr Wentao Zhao	100,078,957	6.48%
Mr Zhiqiang Shan	80,975,528	5.24%

**3 Listed Option Holders**

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

	<b>Number held</b>	<b>Percentage of listed options</b>
<b>Name</b>		
Antlers Energy Corporation	168,000,000	18.06%
PAA Energy LLC	161,750,000	17.39%
Notable Pioneer Limited	131,578,162	14.15%
RPM Texas LLC	80,000,000	8.60%

**4 Unlisted Option Holders**

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

	<b>Number held</b>	<b>Percentage of unlisted options</b>
<b>Name</b>		
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%

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**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	18.45%
Gleneagle Securities (Aust) Pty Ltd	1,844,935	18.45%
Pillaiyar Pty Ltd <Thiru A/C>	1,844,935	18.45%
JB Toro Pty Ltd	1,500,000	15.00%
Tolly & Lilla Sakellariou Pty Ltd <Sakellariou Super Fund A/C>	1,090,195	10.90%
Mr Jason Lal	950,000	9.50%

**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%

**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***

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

***Options***

These securities have no voting rights.

***Performance rights***

These securities have no voting rights

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**7 Equity Security Holders**

The names of the twenty largest holders of ordinary shares are listed below:

<b>Rank</b>	<b>Name</b>	<b>Number of shares</b>	<b>%</b>
1	Notable Pioneer Limited	473,998,197	30.69%
2	Mr Wentao Zhao	100,078,957	6.48%
3	Mr Zhiqiang Shan	80,975,528	5.24%
4	PAA Energy LLC	75,138,072	4.86%
5	CS Third Nominees Pty Limited <HSBC Cust Nom AU Ltd 13 A/C>	61,026,056	3.95%
6	Ichi Investments Inc	56,922,896	3.69%
7	JDK Nominees Pty Ltd	51,526,084	3.34%
8	PF Petroleum Pty Ltd	50,569,278	3.27%
9	Mr Jidong Zhang	33,010,720	2.14%
10	Lugano Holdings LLC	29,483,735	1.91%
11	RIGI Investments Pty Ltd <The Cape A/C>	28,500,000	1.85%
12	BNP Paribas Nominees Pty Ltd <IB AU Noms Retail Client DRP>	25,406,897	1.64%
13	Mr James Joseph Camilleri	21,958,000	1.42%
14	CS Fourth Nominees Pty Limited <HSBC Cust Nom AU Ltd 11 A/C>	17,241,512	1.12%
15	Loyal Express International Limited	16,030,535	1.04%
16	Trend E&P LLC	14,503,916	0.94%
17	Mr Xiaofeng Huang	13,408,000	0.87%
18	The LF Point Pty Ltd <Point A/C>	13,200,000	0.85%
19	Chatsworth Stirling Pty Ltd	12,500,000	0.81%
20	Mr Xiaoping Zhou	11,825,794	0.77%

**8 On-Market Buy-Back**

There is no current on-market buy-back.

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