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BLUE STAR | HELIUM

**Blue Star Helium Limited
And Controlled Entities**

ABN: 49 623 130 987

ANNUAL REPORT

For the Year Ended 31 December 2022

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CORPORATE DIRECTORY

DIRECTORS

Ross Warner	Executive Chairman
Trent Spry	Managing Director and Chief Executive Officer
Neil Rinaldi	Non-Executive Director

SECRETARY

Amanda Wilton-Heald

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STOCK EXCHANGE LISTING

Australian Securities Exchange
ASX Code: BNL

OTC Markets
OTCQB: BSNLF

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Dear Shareholders,

I am pleased to provide you with our Annual Report for 2022. This year has been productive for Blue Star and provides significant promise moving forward.

Strong unfulfilled demand for helium provides a significant market opportunity to Blue Star as a low-cost helium E&D business. With a large undrilled exploration portfolio and a clear pathway to commercial helium production, we are strategically poised to be a primary producer of low-cost, high-grade helium in the world's biggest helium market, the United States.

Helium prices have doubled since the beginning of 2022 as a result of increasingly critical supply shortfalls due to events including the fire at the Amur gas processing plant in Russia, the shutdown of the US Bureau of Land Management's pipeline for six months and geopolitical factors such as the Ukraine war which have affected the development of new helium sources.

Our major focus in the first half of 2022 was to advance drill planning and permitting across our key prospects and to participate in a mix of exploratory water wells and helium exploration wells. The continuation of exploratory water well drilling was partly a function of the major success of our similar activities in Las Animas County in the previous year.

We were able to steadily progress exploration and development works across our key highly prospective Voyager and Galactica/Pegasus projects. We commenced drilling at the Galactica/Pegasus prospects with the JXSN-1,2,3 and 4 exploratory water well program. This drilling led to the declaration of four discrete discoveries at Galactica/Pegasus, with an expected declaration of contingent resources in process at present. We also completed a helium exploration well at Enterprise 16-1 and saw the Sammons 315310C well drilled by Vecta (at Serenity), in which we hold a 50% interest.

Accompanying these drilling efforts, we announced our intention to develop the high-grade Voyager discovery. We decided to focus on Voyager following the breakthrough success of the BBB#1 exploratory water well completed in November 2021. The BBB#1 well returned an air-free helium concentration of 8.8%, which represents a globally high in-situ helium grade with similar gas composition to the historic Model Dome analogue production. The well also returned a 134 ft gas column – for comparison, the average gas column height at Model Dome was approximately 50 ft.

During the year, we engaged independent geological and engineering consultant, Sproule, to prepare an independent resource assessment for the Voyager acreage. Sproule returned a 2C net unrisked contingent helium resource of 643 MMscf. Additionally, we undertook a FEED study for an initial facility at the Voyager prospect and commenced another study for subsequent facilities at the Galactica/Pegasus and Serenity projects in the east. These studies, and the contingent resource for Voyager, represent landmark milestones in the planned development of our Las Animas acreage.

The commercialisation pathway for Voyager involves a mid-stream company supplying and operating a PSA plant facility with a raw gas throughput of 2 mmcf/day in return for monthly lease payments. This solution is attractive in that it not only brings an experienced helium facility operator to the Company's first development, but it also minimises Blue Star's up-front capital commitments while still delivering highly attractive returns. Additionally, it enables Blue Star to target the short-term contract market and spot sales in order to capitalise on current premium pricing dynamics in the helium market.

We are in the final stages of permitting the first two development wells for Voyager, with a further five permit applications in advanced preparation. We are targeting the drilling of the first development well in Q2 2023, with pressure and flow testing to follow shortly thereafter. Following confirmation of the Voyager process facility lease agreement, we are expecting delivery, commissioning and first helium output from Voyager during H2 2023.

At the corporate level, we appointed our current senior management team comprising Mr Peter Kondrat as Chief Operating Officer and Mr Scott Fenoglio as Chief Financial Officer. Subsequent to the year end, this team was bolstered by the appointment of Mr Shane Gillespie as Landman. This team has been instrumental in driving the assessment of various development scenarios.

I would like to thank our partners in the United States, whose guidance and continued assistance has been crucial to our ongoing operations. In particular, I wish to express my gratitude to the COGCC, who have consistently worked with us in a diligent and professional manner in progressing our various permitting applications.

Finally, I wish to thank you, our shareholders for your steadfast, ongoing support. The year ahead will be an exciting and momentous one for Blue Star as we rapidly progress to targeted first production of helium at Voyager. I look forward to updating you along the journey towards first helium production and the ongoing realisation of value in our world-class helium acreage.



Ross Warner
Executive Chairman

30 March 2023

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DIRECTORS' REPORT

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Consolidated Entity') consisting of Blue Star Helium Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 December 2022 ('FY22').

DIRECTORS

The following persons were Directors of Blue Star Helium Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Name	Title
Ross Warner	Executive Chairman
Trent Spry	Managing Director and Chief Executive Officer
Neil Rinaldi	Non-Executive Director

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the year ended 31 December 2022 were helium exploration. The Company is headquartered in Australia and its strategy is to provide its shareholders with exposure to multiple high-value helium projects in North America.

REVIEW OF RESULTS

The loss after tax for the year ended 31 December 2022 was \$6,016,745 (2021: loss of \$1,395,783).

The earnings of the Consolidated Entity for the past financial periods are summarised below:

	31 December 2022 \$	31 December 2021 \$	31 December 2020 \$
Revenue (including other income)	39,836	66,834	15,953
EBITDA	(6,012,531)	(1,394,233)	(1,688,667)
EBIT	(6,016,742)	(1,395,783)	(1,690,123)
Loss after income tax	(6,016,745)	(1,395,783)	(1,690,123)

The factors that are considered to affect total shareholders return are summarised below:

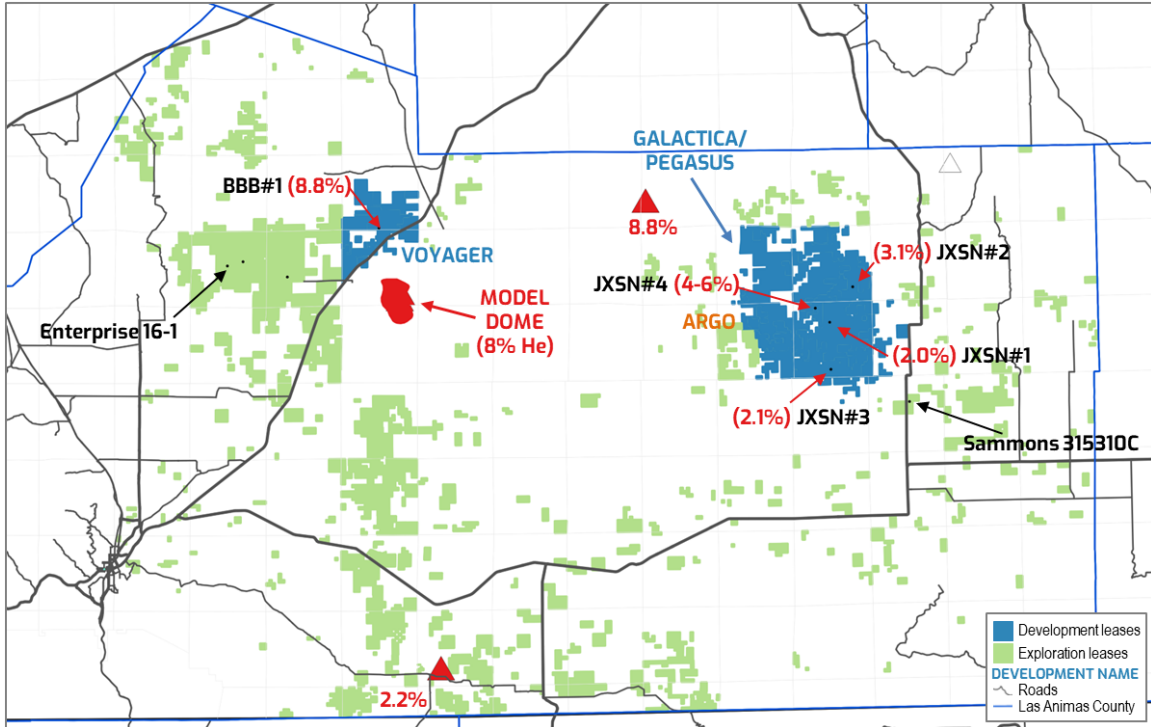
	31 December 2022 \$	31 December 2021 \$	31 December 2020 \$
Share price at financial period end	0.04	0.062	0.044

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Operating Review

It has been a significant year for Blue Star. In 2022, the Company completed a preliminary plan of development for its Voyager project where the Company is targeting first helium production and sales for H2 CY2023, announced four helium discoveries at its Galactica/Pegasus project, announced a maiden contingent helium resource following the helium discovery last year at the Voyager project, and increased its total Las Animas landholding to 306,581 acres gross (224,316 net).

Figure 1: Blue Star Las Animas County leasehold position



VOYAGER PROJECT

On 19 December 2022, Blue Star announced the key outcomes of its Las Animas Plan of Development, which included a mid-stream solution for its initial facility to be located on the high-grade Voyager discovery. The plan involves an initial processing facility at Voyager, supplied and operated by a mid-stream company in return for monthly lease payments from Blue Star. This solution is highly attractive to the Company as it minimises up-front capital commitments while delivering highly attractive returns.

An initial three to four development wells are planned at Voyager, the permitting of which is well advanced ahead of targeted first production in H2 2023.

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The initial Voyager development is planned to comprise a Pressure Swing Adsorption (PSA) plant with a nameplate raw gas throughput of 2 mmcf/day for expected helium product gas output of 98.0%+ purity and targeted helium production of 38 mmcf net to Blue Star in the first full capacity year.

The facility processing capacity is readily scalable at modest incremental capital by the addition of membranes and/or further PSA units.

As part of the overall Voyager development, Blue Star will be responsible for the drilling and completion of the development wells, installation and operation of the raw gas gathering system, power and compression. The facility is planned to start up on site-generated power while the availability of grid power is evaluated.

Helium volumes are planned, at least initially, to be sold via premium short term contracts or in the spot market. Short term helium sales contracts are currently priced at a significant premium to long term contracts and this differential is expected to persist.

Blue Star's selected mid-stream supplier and operator expects to deliver, install and commission the facility during H2 CY2023, subject to receipt of all necessary permits, surface use and access agreements. First helium output and subsequent product sales are expected to commence promptly after commissioning is complete.

On 10 May 2022, Blue Star announced its intention to advance the development of its Voyager prospect. The Voyager prospect was chosen after the breakthrough success of BBB#1 exploratory water well which returned a 134 ft gas column in the Lyons formation with a calculated air-free helium concentration of 8.8%.

The Company engaged independent geological and engineering consultant, Sproule, to prepare the first independent resource assessment for the Voyager prospect.

Sproule's independent evaluation was announced on 27 September 2022, highlighting a 2C net unrisks contingent helium resource of 643 MMscf for Voyager. The Voyager field's resources were independently evaluated and certified by Sproule in accordance with all guidelines and definitions outlined by the Society of Petroleum Engineers Petroleum Resources Management System (SPE-PRMS, 2018).

Table 1: Voyager Field Resource Estimates

Voyager Field			
	1C	2C	3C
Net Recoverable Helium (MMscf)	299	643	1,228
Notes:			
1. The resource estimates have been prepared using the probabilistic method and presented on an unrisks basis.			
2. The resources estimates are presented on a net entitlements basis and represent Blue Star group's net economic interest in the contingent helium volumes after deductions for the volume weighted royalty burden.			

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GALACTICA/PEGASUS PROJECT

The continuation of exploratory water well drilling in 2022 was a function of the substantial data that may be obtained from the program and the success at the breakthrough BBB#1 well at the Voyager prospect, allowing for confident acceleration of helium well location selections for appraisal and development drilling.

Drilling of exploratory water wells by the rancher in a new 4 well program at the Galactica/Pegasus prospects commenced on 27 April 2022. Blue Star successfully recovered helium from each of the JXSN#1, JXSN#2 and JXSN#3 exploratory water wells drilled in the Galactica/Pegasus prospects. Helium concentrations of up to 3.14% were reported in larger than expected gas columns of up to 230 feet in the Lyons formation. These wells also proved the Company's previous interpretations of gas on logs at historic wells, Denton B #1 and Colorado #B-1, also located on the Galactica/Pegasus structure.

Following these strong results from the JXSN#1, JXSN#2, and JXSN#3 wells, the JXSN#4 well was spudded on 23 September. The well was drilled 1.7 miles to the northwest of JXSN#1 to further test the area and continue to delineate its structural and stratigraphic prospectivity. Drilling was completed the following week to a total depth of 1,043 feet encountering both the upper and lower Lyons sands, which both flowed gas to the surface.

Well log analysis subsequently confirmed a 233.5ft gas column with 133.5 ft of net pay. Sampling during the overnight flow of the comingled upper and lower Lyons reservoir yielded 6.06% helium, while an individual sample taken for lab analysis yielded 4.20% helium. Both are considered high concentration and are higher than the helium content yielded in the previous three wells on Galactica/Pegasus. The well was recorded flowing at 124.6 mcf/d during drilling and sampling. Shut-in pressures were the same as observed in the previous JXSN wells which flowed between 202 and 412 mcf/d.

Table 2: Key results from recent Galactica/Pegasus exploratory water wells

Key parameters	JXSN#1	JXSN#2	JXSN#3	JXSN#4
Helium concentration (%)	1.98	3.14	2.14	4.20 & 6.06
Gas column in Lyons formation (ft)	217.5	101+	230	233.5
Net pay in Lyons formation (ft)	143.5	101	153.4	133.5
Stabilized initial flow rate (Mcf/d)	412	202	412	125

Sproule is preparing a resource update for Galactica/Pegasus, which is expected to result in the declaration of contingent helium and CO₂ resources.

The Galactica/Pegasus development is a larger-scale project with multiple potential product streams. Further engineering and market work is underway to refine the planned development configuration and forecast helium and CO₂ production and cost estimates. The Galactica/Pegasus facilities are planned to be permitted in parallel with the Voyager development.

There are currently a range of development pathways under consideration, including a leased plant and third party operated option. The final development is expected to include a CO₂ extraction route and by-product stream. A final decision on the initial Galactica/Pegasus plant configuration is expected in H1 CY2023.

OTHER EXPLORATION

Enterprise 16-1 exploration well

Following the permitting activities undertaken through H2 2021, Blue Star was given the approved permit to drill for the Enterprise 16-1 helium exploration well on 23 December 2021. The well was spudded on 16 February 2022, with drilling of the shallow section of the target Lyons formation completed, cased and cemented the following week.

The objective of the well was to test an interpreted structural high within the Enterprise prospect targeting a helium pay zone in the Lyons formation. On 1 March 2022, the well was drilled to a total depth of 1,250 feet and a potential helium zone was identified in the targeted Lyons formation.

Based on wireline logs, the top of the Lyons formation was penetrated at 1,045 feet with an interpreted gas water contact (GWC) intersected at 1,058 feet (equating to an approximate 13 feet gross and net gas column in the well bore).

Some helium gas was seen while drilling, however due to subsequent water invasion of the top part of the Lyons formation where gas is interpreted from logs, no test was initially able to be conducted to obtain a gas sample for compositional analysis.

In early July, the Enterprise 16-1 well was successfully cased and cemented across the Lyons and perforated between 1,051 feet and 1,054 feet in the top of the gas zone. Swabbing operations were completed. The well exhibited pressure build-up and flow on several occasions during swabbing operations. At the conclusion of operations, the water level in the well stabilised above the perforations.

Further potential drilling to the south-east, up-dip from Enterprise 16-1, where re-mapping shows the structural high to lie is being planned. Follow-up wells are likely to target this structural high where significantly larger gas columns are expected – initially via an exploratory water well and then with further helium wells.

Sammons 315310C well

On 22 December 2021, Blue Star executed an agreement to jointly develop helium leases in an Area of Mutual Interest (AMI) with two private entities, Vecta Oil & Gas (Vecta) (25%) and Prospero Oil & Gas LLC (Prospero) (25%). The AMI includes Blue Star's Serenity prospect, which is located immediately to the south-east of its Galactica/Pegasus prospects. As part of the agreement, Vecta retained the role of operator in the AMI.

On 25 February 2022, Blue Star advised that it had received Colorado Oil and Gas Conservation Commission (COGCC) approval for the Sammons Ranch OGDG submitted by Vecta Oil and Gas Ltd (Vecta) and authorisation of four proposed well locations within the AMI, the first of which included Blue Star's Sammons 315310C well. Approval at Vecta's OGDG hearing of the Sammons 315310C well by the COGCC was the residual condition precedent to the formation of the AMI. Approval of the OGDG and associated Forms 2A allowed Vecta to submit its final permit to drill (Form 2) for the Sammons 315310C well, which was completed on 4 March 2022.

On 4 August 2022, the Sammons 315310C well was spudded and was drilled to 1,166 feet, intersecting the Lyons formation at 1,155 feet. Initial testing confirmed high gas rates and increasing flow pressure at the well. Further drilling commenced and penetrated the complete upper Lyons sand, representing an 83-foot gas column of high-quality reservoir. The flowing pressure was reportedly increasing, and gas rates were as high as 500 mmcf/d.

Casing was set at 1,270 feet in the shale separating the upper and lower Lyons sands. The lower Lyons sand was penetrated at 1,308 feet and 15 feet of sand was drilled. The drilled section was completely gas filled with no water being encountered during drilling. Initial flow testing was conducted with gas rates of 115 mcf/d. The Company and Vecta are in discussions regarding the future approach to commercialising this project.

Corporate

Appointment of Chief Operating Officer

On 30 June 2022, Blue Star appointed Mr Peter Kondrat as Chief Operating Officer (COO) of its US helium business.

Peter is a seasoned helium executive and industry professional with over 25 years' experience in the development of oil, natural gas and helium from conventional and unconventional reservoirs. This includes proven expertise in the identification, economic analysis, and exploitation of new and additional helium from drilling, workover, recompletion, prospect development and deeper play testing.

Most recently, Peter was President and COO of US helium exploration and production business, Tacitus LLC (Tacitus). Under Peter's direction, Tacitus built a significant helium business in the Tocito Dome Field, New Mexico. This included leading Tacitus from operating at a loss to substantial positive cash flow, driven by the company's success in originating new helium discovery wells with high concentration and flow rates. Tacitus was ultimately sold to the Navajo Transitional Energy Company in October 2021 for an undisclosed consideration.

Peter will lead Blue Star's on-the-ground efforts in the US from his base in Colorado. He will be responsible for deployment of all aspects of the Company's exploration, development and production activities in Las Animas, Colorado. The timing of Peter's appointment corresponds with Blue Star's recent helium discovery successes at Voyager and Galactica/Pegasus, and its planned transition into development drilling and production operations while continuing to grow its resource base.

Appointment of Chief Financial Officer

On 6 September 2022, the Company announced the appointment of Mr Scott Fenoglio as Chief Financial Officer (CFO). Mr Fenoglio has over 20 years of oil and gas executive and finance experience. He is also a CFA (Chartered Financial Analyst) Charterholder. Scott was previously CFO of Ossidiana Energy LLC, a Colorado-based E&P business focussed on activities in the DJ Basin in Wyoming. Prior to that he held senior finance executive roles at Colorado-based Bonanza Creek Energy Inc. and Noble Energy Inc.

Business Risks

Our business involves a high degree of risk. If any of the following risks, or any risk described elsewhere in this Annual Report, actually occurs, our business, financial condition, or results of operations could suffer. The risks described below are not the only ones facing us. Additional risks not presently known to us or which we currently consider immaterial also may adversely affect us.

The drilling for and producing of helium are high risk activities. There are many uncertainties that could adversely affect our business and financial condition. Many of our decisions to undertake operations are based on geophysical and geological analysis and engineering studies that are often times inconclusive.

The process of estimating helium resources is complex and requires interpretation of many assumptions. The risk that these interpretations differ from actual results can significantly impact the ultimate resource available and the number of potential development well locations.

The cost to drill, complete and operate wells is often uncertain before operations commence. This can lead to budget overruns and result in a particular project being uneconomic. Additionally, the continuing or worsening inflationary pressures, particularly in the United States, could result in increases in our cost of goods, services, and personnel which in turn could cause our capital expenditures and operating costs to rise.

With limited production data in our area of operations well results could differ materially from our expectations.

We are highly dependent on many third parties to execute our plans for development of the asset. These third parties include but are not limited to service providers for drilling, completion, production, and construction services, equipment providers, and local, state, and federal regulatory agencies in the United States.

We are subject to health, safety, and environmental laws and regulations that may expose us to significant costs and liabilities.

Evolving legislation or regulatory initiatives, especially in the state of Colorado, could result in increased costs and additional operating restrictions or delays.

Pricing in the helium markets is opaque and largely set by private party contracts. Therefore, the prices we receive are at risk of being significantly different than we assumed. Additionally, changes in the supply/demand balance due to new or returning sources of supply or economic downturns could adversely affect the prices we are able to receive for helium.

The market for all labour in Colorado is competitive and the Company must compete to attract and retain key employees.

COVID-19 Impacts

To date the restrictions arising from the global coronavirus pandemic have not materially affected the Company's operations with staff and consultants in Australia and the USA returning to nearly normal working conditions. The Company continues to actively monitor the situation, including assessing any impact it may have on the Company's operations.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs during the year.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Consolidated Entity is undertaking activities to permit a further 50 helium wells.

Blue Star Helium Limited has secured leases in Las Animas County, Colorado, USA over a number of prospects and leads to develop and deliver its helium strategy. This leased acreage is intended to support a drilling programme in the 2023 calendar year.

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DIRECTORS' QUALIFICATIONS AND EXPERIENCE

The Directors' qualifications and experience are set out below.

Current Directors

Director	Details
Ross Warner	
Qualifications	B. Juris and LLB and LLM
Position	Executive Chairman
Appointment Date	23 March 2018
Resignation Date	N/A
Length of Service	5 years
Biography	Ross is an experienced natural resources executive. He has held executive and non-executive director roles in several public companies listed on AIM and ASX and a number of private companies. He has been involved in operated and non-operated oil and gas assets in the US, UK and Indonesia. He practiced as a corporate finance lawyer with Mallesons Stephen Jaques in Perth and Melbourne and Clifford Chance in London. He has the following qualifications: B. Juris and LLB (UWA); and LLM (Melb).
Current ASX Listed Directorships	None
Former ASX Listed Directorships within last 3 years	None
Trent Spry	
Qualifications	BSc (Hons), AICD
Position	Managing Director and Chief Executive Officer (effective 14 April 2021)
Appointment Date	29 April 2019
Resignation Date	N/A
Length of Service	3 years 11 months
Biography	Trent brings to the Board significant ASX corporate experience, expertise in geoscience, exploration and project development as well as significant experience in the USA. Trent has over twenty years of experience in the upstream oil, gas and helium industry in exploration, appraisal and development. He holds a Bachelor of Science (Hons) (National Centre for Petroleum Geology & Geophysics, University of Adelaide) and is a graduate of the Australian Institute of Company Directors. He has originated numerous projects from concept or acquisition through to discovery, appraisal, successful development and exit in Australia, SE Asia, the Gulf of Mexico and the US onshore.
Current ASX Listed Directorships	None

Former ASX Listed Directorships within last 3 years	None
Neil Rinaldi	
Position	Non-Executive Director
Appointment Date	14 April 2021
Resignation Date	N/A
Length of Service	1 year 11 months
Biography	Mr Rinaldi is an executive leader and finance professional with over 20 years' experience. He has considerable expertise in capital raising, asset acquisition and disposals, company structuring and positioning companies for growth. Mr Rinaldi is currently the Chief Executive Officer of International Graphite, which is an unlisted downstream graphite processing business with pending operations in Collie, Western Australia. Prior to this, Mr Rinaldi was a non-executive director of Brainchip Holdings Limited, an artificial intelligence business, and an Executive Director of Aziana Limited, a multi-commodity exploration business with assets in Madagascar and Louisiana. Prior to that, Mr Rinaldi was the Managing Director of Truestone Capital Limited, a London based corporate advisory firm focused on delivering results for companies in the Australian resources sector. He commenced his professional career as an Investment Advisor at Hartleys Limited.
Current ASX Listed Directorships	None
Former ASX Listed Directorships within last 3 years	International Graphite Limited

COMPANY SECRETARY

Company Secretary	Details
Amanda Wilton-Heald	
Qualifications	BCom, CA
Position	Company Secretary
Appointment Date	4 September 2020
Resignation Date	N/A
Biography	Amanda Wilton-Heald is a Chartered Accountant with over 20 years of accounting, auditing (of both listed and non-listed companies) and company secretarial experience in both Australia and the UK. Amanda has been involved in the listing of junior explorer companies on the ASX and has experience in corporate advisory and company secretarial services.

MEETINGS OF DIRECTORS

The number of meetings held during the year and the number of meetings attended by each Director was as follows:

	Board Meetings
Number of Meetings Held	7
Number of Meetings Attended:	
Ross Warner	7
Trent Spry	7
Neil Rinaldi	7

All Directors were eligible to attend all Board Meetings held when they were in office.

SHARE OPTIONS

As at the date of this report:

No. Options	Exercise Price	Expiry Date	Listed / Unlisted
17,194,726	\$0.084	04-Nov-23	Unlisted
17,194,726	\$0.112	04-Nov-24	Unlisted

PERFORMANCE RIGHTS

As at the date of this report:

No. Performance Rights	Tranche	Expiry Date	Listed / Unlisted
16,200,000	1	07-Jan-24	Unlisted
16,200,000	2	07-Jan-24	Unlisted
16,200,000	3	07-Jul-24	Unlisted
16,200,000	4	07-Jul-24	Unlisted
16,200,000	5	07-Jan-25	Unlisted
2,000,000	1	18-May-24	Unlisted
2,000,000	2	18-May-24	Unlisted
2,000,000	3	18-Nov-24	Unlisted
2,000,000	4	18-Nov-24	Unlisted
2,000,000	5	18-May-25	Unlisted

SHARES ISSUED AS A RESULT OF THE EXERCISE OF OPTIONS OR CONVERSION OF PERFORMANCE RIGHTS

Nil shares issued as a result of the exercise of the options or performance rights were issued as at the date of this report.

REMUNERATION REPORT (AUDITED)

The remuneration report below reflects the remuneration policies that were adopted by the Directors of the Company who were in office at the date of this report.

The Remuneration Report is set out under the following main headings:

1. Principles used to determine the nature and amount of remuneration;
2. Key management personnel remuneration;
3. Service agreements; and
4. Shareholding and option holding of Directors and other key management personnel.

The information provided under headings 1 to 4 below in the Remuneration Report has been audited as required by Section 308(3C) of the Corporations Act 2001.

1. Principles used to determine the nature and amount of remuneration (audited)

The Company's Constitution specifies that subject to the initial fixed annual aggregate sum of \$500,000, the aggregate remuneration of Non-Executive Directors shall not exceed the sum determined by the shareholders of the Company in general meeting.

The Company may pay a performance-based bonus based on key performance indicators of the Director and Company, set by the Company from time to time, and any matter that it deems appropriate. \$Nil was paid to an independent remuneration consultant during the year.

Fees and payments to Directors:

- ① are to reflect the demands which are made on, and the responsibilities of, the Directors; and
- ① are reviewed annually by the Board to ensure that Directors' fees and payments are appropriate and in line with the market.

Retirement allowances and benefits for Directors

There are no retirement allowances or other benefits paid to Directors.

Directors' fees

The amount of remuneration of the Directors of the Company (as defined in AASB 124 Related Party Disclosures) are outlined in the table below under the heading Key management personnel remuneration.

Key management personnel

Name	Title
Ross Warner	Executive Chairman
Trent Spry	Managing Director and Chief Executive Officer
Neil Rinaldi	Non-Executive Director
Peter Kondrat	Chief Operating Officer
Scott Fenoglio	Chief Financial Officer

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2. Key management personnel remuneration

The following table sets out the remuneration of Directors and executives of the Consolidated Entity during the reporting year.

	Year	Fixed			STI	LTI	Total	Proportion of Remuneration		
		Salary fees and leave \$	Bonus \$	Superannuation \$	Incentive Payments \$	Security Based Payments \$		Fixed %	STI %	LTI %
Non-Executive Director										
Neil Rinaldi ¹	2022	60,000	-	-	-	243,065 ²	303,065	20%	-	80%
	2021	42,833	-	-	-	-	42,833	100%	-	-
Total Non-Executive Directors	2022	60,000	-	-	-	243,065	303,065	20%	-	80%
	2021	42,833	-	-	-	-	42,833	100%	-	-
Executive Directors										
Ross Warner	2022	310,930	-	26,914	-	729,195 ²	1,067,039	32%	-	68%
	2021	192,131	68,493	25,318	-	-	285,942	100%	-	-
Trent Spry	2022	314,824	-	26,914	-	1,184,942 ²	1,526,680	22%	-	78%
	2021	197,987	75,000	12,955	-	-	285,942	100%	-	-
Joanne Kendrick ³	2022	-	-	-	-	-	-	-	-	-
	2021	32,097 ⁴	-	-	-	-	32,097	100%	-	-
Total Executive Directors	2022	625,754	-	53,828	-	1,914,137	2,593,719	26%	-	74%
	2021	422,215	143,493	38,273	-	-	603,981	100%	-	-

¹ Appointed 14 April 2021.

² A total of 24,000,000 tranche 1-5 unlisted performance rights expiring 7 January 2024 to 7 January 2025 were granted to Ross Warner; a total of 39,000,000 tranche 1-5 unlisted performance rights expiring 7 January 2024 to 7 January 2025 were granted to Trent Spry; a total of 8,000,000 tranche 1-5 unlisted performance rights expiring 7 January 2024 to 7 January 2025 were granted to Neil Rinaldi; and a total of 10,000,000 tranche 1-5 unlisted performance rights expiring 7 January 2024 to 7 January 2025 were granted to Peter Kondrat on 7 July 2022. A total of 10,000,000 tranche 1-5 unlisted performance rights expiring 18 May 2024 to 18 May 2025 were granted to Scott Fenoglio on 18 November 2022. The performance rights granted to Ross Warner, Trent Spry and Neil Rinaldi were approved by shareholders at the 31 May 2022 annual general meeting. The performance rights granted to Peter Kondrat and Scott Fenoglio were issued using the Company's ASX LR 7.1 (15%) capacity.

³ Resigned 14 April 2021.

⁴ Includes \$12,097 payment on cessation of services.

2. Key management personnel remuneration (continued)

	Year	Fixed			STI	LTI	Total	Proportion of Remuneration		
		Salary fees and leave \$	Bonus \$	Superannuation \$	Incentive Payments \$	Security Based Payments \$	\$	Fixed %	STI %	LTI %
Key Management Personnel										
Peter Kondrat	2022	83,366	-	-	-	286,514 ²	369,880	23%	-	77%
	2021	-	-	-	-	-	-	-	-	-
Scott Fenoglio	2022	65,674	-	-	-	263,553 ²	329,227	20%	-	80%
	2021	-	-	-	-	-	-	-	-	-
Total Key Management Personnel	2022	149,040	-	-	-	550,067	699,107	21%	-	79%
	2021	-	-	-	-	-	-	-	-	-
Total Directors & Key Management Personnel	2022	834,794	-	53,828	-	2,707,269	3,595,891	25%	-	75%
	2021	465,048	143,493	38,273	-	-	646,814	100%	-	-

3. Service agreements (audited)

The Directors serve until they resign, are removed, cease to be a Director or are prohibited from being a Director under the provisions of the Corporations Act 2001, or are not re-elected to office. The Directors are remunerated on a monthly basis with three months termination payments payable. As at the date of this report management personnel engaged by the Company other than the Directors include the engagement of the Chief Operating Officer, Peter Kondrat and the Chief Financial Officer, Scott Fenoglio.

The Executive Directors entered into service agreements with effect from 1 July 2021 on the following terms:

- ① Salary (including Director's fees of \$261,432 per annum (excluding superannuation or similar contributions).
- ① The Company will make contributions to the Executive's nominated superannuation fund in accordance with the minimum amount prescribed by relevant superannuation legislation from time to time.
- ① The Company may also, in its absolute discretion, provide a bonus, the value of which, the conditions attached to and the frequency of such a bonus, remains matters over which the Company exercises sole discretion.
- ① Termination of the agreements requires three months' notice in writing other than if the termination is a result of unlawful conduct.

The Non-Executive Director does not have a service agreement.

The Chief Operating Officer entered into a service agreement with effect from 30 June 2022 and the Chief Financial Officer entered into a service agreement with effect from 6 September 2022 on the following terms:

- ① Salary of US\$180,000 per annum
- ① the employment is "at-will" and the agreement may be terminated by either party without notice.

4. Shareholding and option holding of Directors and other Key Management Personnel (audited)

Share holdings of Key Management Personnel

The movement during the reporting period in the number of ordinary shares of the Company held directly, indirectly or beneficially, by each Director or key management personnel, including their personally-related entities is as follows:

Director / Key Management Personnel	No. Shares Held at 31 December 2021	Share Based Payments	Exercise of Options	Other Changes	No. Shares Held at 31 December 2022	No. Shares Held at Date of this Report
Ross Warner						
Directly	37,000,000	-	-	-	37,000,000	35,673,000
Indirectly	2,000,000	-	-	-	2,000,000	2,587,661
Trent Spry						
Directly	22,000,000	-	-	-	22,000,000	22,000,000
Indirectly	3,000,000	-	-	-	3,000,000	3,000,000
Neil Rinaldi						
Directly	-	-	-	-	-	-
Indirectly	-	-	-	1,000,000	1,000,000	1,000,000
Peter Kondrat						
Directly	N/A	-	-	-	-	-
Indirectly	N/A	-	-	-	-	-
Scott Fenoglio						
Directly	N/A	-	-	-	-	-
Indirectly	N/A	-	-	-	-	-
Total	64,000,000	-	-	1,000,000	65,000,000	64,260,661

Details of options over the ordinary shares in the Company provided to each director and key management personnel of the Consolidated Entity is set out below. When exercisable, each option is convertible into one ordinary share of the Company.

Options held by Key Management Personnel

Director / Key Management Personnel	No. Options Held at 31 December 2021	Share Based Payments	Exercise of Options	Other Changes	No. Options Held at 31 December 2022	No. Options Held at Date of this Report
Ross Warner						
Directly	-	-	-	-	-	-
Indirectly	-	-	-	-	-	-
Trent Spry						
Directly	-	-	-	-	-	-
Indirectly	-	-	-	-	-	-
Neil Rinaldi						
Directly	-	-	-	-	-	-
Indirectly	-	-	-	-	-	-
Peter Kondrat						
Directly	N/A	-	-	-	-	-
Indirectly	N/A	-	-	-	-	-
Scott Fenoglio						
Directly	N/A	-	-	-	-	-
Indirectly	N/A	-	-	-	-	-
Total	-	-	-	-	-	-

Performance Rights held by Key Management Personnel

Director / Key Management Personnel	No. Performance Rights Held at 31 December 2021	Share Based Payments	Conversion of Performance Rights	Other Changes	No. Performance Rights Held at 31 December 2022	No. Performance Rights Held at Date of this Report	No. Unvested at 31 December 2022	Fair Value of Grant
Ross Warner								
Directly	-	24,000,000 ⁵	-	-	24,000,000	24,000,000	24,000,000	\$729,195
Indirectly	-	-	-	-	-	-	-	-
Trent Spry								
Directly	-	39,000,000 ⁵	-	-	39,000,000	39,000,000	39,000,000	\$1,184,942
Indirectly	-	-	-	-	-	-	-	-
Neil Rinaldi								
Directly	-	8,000,000 ⁵	-	-	8,000,000	8,000,000	8,000,000	\$243,065
Indirectly	-	-	-	-	-	-	-	-
Peter Kondrat								
Directly	N/A	10,000,000 ⁵	-	-	10,000,000	10,000,000	10,000,000	\$286,514
Indirectly	N/A	-	-	-	-	-	-	-
Scott Fenoglio								
Directly	N/A	10,000,000 ⁵	-	-	10,000,000	10,000,000	10,000,000	\$263,553
Indirectly	N/A	-	-	-	-	-	-	-
Total	-	91,000,000	-	-	91,000,000	91,000,000	91,000,000	\$2,707,269

⁵ A total of 24,000,000 tranche 1-5 unlisted performance rights expiring 7 January 2024 to 7 January 2025 were granted to Ross Warner; a total of 39,000,000 tranche 1-5 unlisted performance rights expiring 7 January 2024 to 7 January 2025 were granted to Trent Spry; a total of 8,000,000 tranche 1-5 unlisted performance rights expiring 7 January 2024 to 7 January 2025 were granted to Neil Rinaldi; and a total of 10,000,000 tranche 1-5 unlisted performance rights expiring 7 January 2024 to 7 January 2025 were granted to Peter Kondrat on 7 July 2022. A total of 10,000,000 tranche 1-5 unlisted performance rights expiring 18 May 2024 to 18 May 2025 were granted to Scott Fenoglio on 18 November 2022. The performance rights granted to Ross Warner, Trent Spry and Neil Rinaldi were approved by shareholders at the 31 May 2022 annual general meeting. The performance rights granted to Peter Kondrat and Scott Fenoglio were issued using the Company's ASX LR 7.1 (15%) capacity.

The following terms and conditions apply to each of the Performance Rights:

- **(Vesting Conditions):** The Performance Rights will vest subject to the satisfaction of the following performance milestones within that timeframe (each a **Milestone**):

Tranche	Milestone	Vesting / Expiry Date	Number of Performance Rights
1	Vest and be convertible upon: (A) the Company publicly reporting two (2) independently certified helium discoveries; and (B) the Company's achieving a 20-day VWAP of \$0.10 or more, within 18 months after issue of the performance right	Directors & COO: 07-Jan-24 CFO: 18-May-24	18,200,000
2	Vest and be convertible upon the Company publicly reporting: (A) Independently certified helium reserves; and (B) Independently certified helium reserves and resources including net recoverable helium meeting at least one of the following metrics: (i) P90 greater than 10 Bcf; or (ii) P50 greater than 20 Bcf; or (iii) P10 greater than 30 Bcf, within 18 months after issue of the performance right	Directors & COO: 07-Jan-24 CFO: 18-May-24	18,200,000
3	Vest and be convertible upon the Company having drilled five (5) separate prospects within two (2) years after issue of the performance right	Directors & COO: 07-Jul-24 CFO: 18-Nov-24	18,200,000
4	Vest and be convertible upon the Company making a Final Investment Decision (FID) in relation to the development of a facility for the development of a helium project within 2 years after issue of the performance right	Directors & COO: 07-Jul-24 CFO: 18-Nov-24	18,200,000
5	Vest and be convertible upon the Company selling helium within 30 months after issue of the performance right	Directors & COO: 07-Jan-25 CFO: 18-May-25	18,200,000
Total			91,000,000

Transactions with related parties

During the reporting year, there were no related party transactions.

End of Remuneration Report**DIVIDENDS**

No dividends were paid during the year and no recommendation is made as to payment of dividends.

EVENTS SUBSEQUENT TO REPORTING DATE

There are no matters or circumstances that have arisen since the end of the year which will significantly affect, or may significantly affect, the state of affairs or operations of the Consolidated Entity in future financial years.

INDEMNIFICATION OF DIRECTORS & COMPANY SECRETARY

The Company has agreed to indemnify the current directors and company secretary of the Consolidated Entity against all liabilities that may arise from their position as directors or officers of the Group to the maximum extent permitted by law.

INDEMNIFYING OFFICERS

During the year, the Company paid a premium to insure officers of the Consolidated Entity. The officers of the Consolidated Entity covered by the insurance policy include all directors, the COO, the CFO and the company secretary. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Consolidated Entity, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Consolidated Entity or other otherwise excluded by the policy.

PROCEEDINGS ON BEHALF OF COMPANY

ASIC lodged proceedings in the Federal Court of Australia against the Company and one of its directors, Mr James Cruickshank on 27 November 2017. The Court delivered its decision on 9 October 2020 and its final decision on relief on 16 December 2021. The Court did not impose a pecuniary penalty, damages or an account of profits on the Company. The High Court of Australia dismissed Mr Cruickshank's application for special leave to appeal on 17 November 2022. Accordingly, the Company considers the matter has now been concluded.

The proceedings were initiated when the Company was in administration and the Administrators consented to the grant of leave being granted to ASIC to commence and maintain the proceedings against the Company on and Mr Cruickshank on conditions that:

- ① ASIC continues to seek only declaratory relief, but not pecuniary penalties, damages or an account of profits from the Company;
- ① ASIC is not entitled to seek to enforce any judgment or order against the Company, without further leave of the Court;
- ① ASIC will not require the Administrators or the Company to take any active step in the proceedings (including, but not limited to, the filing of a defence); and
- ① ASIC has agreed to cover the reasonable costs incurred by the Company in the proceedings as a result of steps requested or required by ASIC itself in the proceeding (for example, in relation to providing discovery).

AUDITOR'S DECLARATION OF INDEPENDENCE

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report. Total fees paid or payable to the Company's auditors Stantons Corporate Finance Pty Ltd for non-audit services provided to the Company during the year ended 31 December 2022 are \$3,600 (2021: \$800).

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporation Act 2001.

Signed in accordance on behalf of the Directors.



Ross Warner
Executive Chairman

30 March 2023

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CORPORATE GOVERNANCE STATEMENT

The Board is committed to achieving and demonstrating the highest standards of corporate governance. Blue Star Helium Limited and its subsidiaries have adopted the third edition of the Corporate Governance Principles and Recommendations released by the ASX Corporate Governance Council.

The Company's corporate governance statement reflects the corporate governance policies that were adopted by the directors of the Company who were in office at the date of this report. These policies have applied since 29 March 2019.

The Company's current Corporate Governance Statement is available on Blue Star Helium Limited's website at: <https://www.bluestarhelium.com/corporate/governance/>

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30 March 2023

Board of Directors
Blue Star Helium Limited
Level 11
216 St Georges Terrace
Perth WA 6000

Dear Directors

RE: BLUE STAR HELIUM LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Blue Star Helium Limited.

As Audit Director for the audit of the financial statements of Blue Star Helium Limited for the year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(An Authorised Audit Company)

A handwritten signature in blue ink that reads "Martin Michalik".

Martin Michalik
Director



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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	Consolidated Entity 31 December 2022 \$	Consolidated Entity 31 December 2021 \$
Revenue	3	12,327	8,542
Cost of goods sold	4	-	13,672
Gross loss		<u>12,327</u>	22,214
Other income	3	27,509	58,292
Other Expenses		(206,580)	(547,600)
Write-off of exploration and evaluation assets	11	(1,570,853)	-
Rehabilitation costs		(182,807)	(279,181)
Employment expenses		(753,783)	(400,953)
Share based payment expense	15	(2,707,269)	-
Business development expenses		(455,262)	(60,553)
Legal expenses		(180,027)	(188,002)
Loss before tax		<u>(6,016,745)</u>	(1,395,783)
Income tax expense	5	-	-
Net loss for the year from operations		<u>(6,016,745)</u>	(1,395,783)
Other comprehensive income			
Exchange differences on translation of foreign entities		133,481	(165,564)
Total comprehensive loss for the year		<u>(5,883,264)</u>	(1,561,347)
Basic and diluted loss per share (cents)	6	(0.38)c	(0.11)c

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	Consolidated Entity 31 December 2022 \$	Consolidated Entity 31 December 2021 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	6,824,205	15,632,345
Trade and other receivables	8	25,855	124,599
Other assets	9	140,971	48,164
Total Current Assets		6,991,031	15,805,108
Non-Current Assets			
Other assets	9	143,365	151,351
Plant and equipment	10	13,210	3,125
Exploration and evaluation assets	11	12,459,717	6,768,833
Total Non-Current Assets		12,616,292	6,923,309
Total Assets		19,607,323	22,728,417
LIABILITIES			
Current Liabilities			
Trade and other payables	12	643,650	602,860
Provisions	13	228,727	213,966
Total Current Liabilities		872,377	816,826
Non-Current Liabilities			
Provisions	13	5,665	1,884
Total Non-Current Liabilities		5,665	1,884
Total Liabilities		878,042	818,710
Net Assets		18,729,281	21,909,707
EQUITY			
Contributed equity	14	26,435,332	26,439,763
Reserves	15	4,138,868	1,298,118
Accumulated losses		(11,844,919)	(5,828,174)
Total Equity		18,729,281	21,909,707

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

Consolidated Entity	Contributed Equity	Foreign Currency Translation Reserve	Share Option Reserve	Share Based Payments Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 January 2022	26,439,763	(79,443)	1,377,561	-	(5,828,174)	21,909,707
Loss for the year	-	-	-	-	(6,016,745)	(6,016,745)
Other comprehensive income:						
Foreign exchange on translation of operations	-	133,481	-	-	-	133,481
Total comprehensive loss for the year	-	133,481	-	-	(6,016,745)	(5,883,264)
Transactions with owners in their capacity as owners:						
Equity issues	-	-	-	-	-	-
Equity issue expenses	(4,431)	-	-	-	-	(4,431)
Share based payments	-	-	-	2,707,269	-	2,707,269
Balance at 31 December 2022	26,435,332	54,038	1,377,561	2,707,269	(11,844,919)	18,729,281
Consolidated Entity	Contributed Equity	Foreign Currency Translation Reserve	Share Option Reserve	Share Based Payments Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 January 2021	12,569,133	86,121	191,125	-	(4,432,391)	8,413,988
Loss for the year	-	-	-	-	(1,395,783)	(1,395,783)
Other comprehensive income:						
Foreign exchange on translation of operations	-	(165,564)	-	-	-	(165,564)
Total comprehensive loss for the year	-	(165,564)	-	-	(1,395,783)	(1,561,347)
Transactions with owners in their capacity as owners:						
Equity issues	16,023,000	-	-	-	-	16,023,000
Equity issue expenses	(2,152,370)	-	-	-	-	(2,152,370)
Share based payments	-	-	1,186,436	-	-	1,186,436
Balance at 31 December 2021	26,439,763	(79,443)	1,377,561	-	(5,828,174)	21,909,707

The accompanying notes form part of these financial statements.

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**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	Consolidated Entity 31 December 2022 \$	Consolidated Entity 31 December 2021 \$
Cash flows from operating activities			
Receipts from customers		12,327	8,542
Payments to suppliers and employees		(2,189,579)	(1,538,306)
Interest received		27,509	581
Interest paid		(3)	-
Net cash (used in) operating activities	7	(2,149,746)	(1,529,183)
Cash flows from investing activities			
Payment for plant and equipment		(14,400)	(4,675)
Exploration, evaluation and development expenditure (including licenses acquisition costs)		(6,684,935)	(2,798,789)
Net cash (used in) investing activities		(6,699,335)	(2,803,464)
Cash flows from financing activities			
Proceeds from share issues		-	15,000,000
Proceeds from option conversions		-	1,023,000
Payment for costs of equity issues		(4,431)	(965,934)
Net cash (used in) / from financing activities		(4,431)	15,057,066
Net (decrease) / increase in cash held		(8,853,512)	10,724,419
Cash and cash equivalents at beginning of the year		15,632,345	4,909,336
Foreign exchange effect on cash and cash equivalents		45,372	(1,410)
Cash and cash equivalents at the end of the year	7	6,824,205	15,632,345

The accompanying notes form part of these financial statements.

1. Corporate information

This Annual Report covers Blue Star Helium Limited and the entities it controlled at the end of, or during, the year ended 31 December 2022 (the “Consolidated Entity”). The presentation currency of the Consolidated Entity is Australian Dollars (“\$”). A description of the Consolidated Entity’s operations is included in the review and results of operations in the Directors’ Report. The Directors’ Report is not part of the financial statements. The Consolidated Entity is a for-profit entity and limited by shares incorporated in Australia whose shares are traded under the ASX code “BNL”. The financial statements were authorised for issue on 30 March 2023 by the Directors. The Directors have the power to amend and reissue the financial statements. The principal accounting policies adopted in the preparation of the financial statements are set out below.

2. Accounting policies

a. Basis of preparation

These general purpose financial statements for the year ended 31 December 2022 have been prepared in accordance with applicable Australian Accounting Standards, the Corporations Act 2001 and other mandatory professional reporting requirements, as appropriate for for-profit oriented entities. These financial statements are to be read in conjunction with any public announcements made by the Company during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001. The principal accounting policies adopted are consistent with those of the previous financial year. The financial report complies with Australian Accounting Standards and International Financial Standards (IFRS) as issued by the International Accounting Standard Board.

b. Going concern

For the year ended 31 December 2022 the consolidated entity incurred a total comprehensive loss of \$5,883,264 (31 December 2021: total comprehensive loss of \$1,561,347) and had working capital of \$6,118,654 (31 December 2021: \$14,988,282). The Directors considered the subsequent events, reviewed the cash flow forecasts and working capital requirements of the Consolidated Entity in view of the Consolidated Entity’s existing cash resources of \$6,824,205 (31 December 2021: \$15,632,345). On this basis, the Directors consider there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable, and therefore the going concern basis of preparation is considered to be appropriate for the 31 December 2022 year financial report. In the event that the Consolidated Entity is not able to continue as a going concern, it may be required to realise assets and extinguish liabilities other than in the normal course of business and perhaps at amounts different to those stated in its financial report.

2. *Accounting policies (continued)*

c. Principles of consolidation

The consolidated financial statements comprise the financial statements of Blue Star Helium Limited and its subsidiaries during the year ended 31 December 2022 ("the Consolidated Entity"). The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity and cease to be consolidated from the date on which control is transferred out of the Consolidated Entity.

d. Foreign currency translation

Both the functional and presentation currency of Blue Star Helium Limited and its Australian subsidiaries is in Australian dollars (\$). Entities within the Consolidated Entity that are based and operate outside of Australia use the functional currency of the country in which they operate, provided the local economy is not subject to hyperinflation. Each entity in the Consolidated Entity uses its specific functional currency to measure the items included in the financial statements of that entity. Transactions in foreign currency are initially recorded in the functional currency by applying the exchange ruling at the date of the transaction or the average for the year when translating a large number of transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historic cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items are measured at fair value in a foreign currency are translated using the exchange rate as at the date when fair value was determined. The functional currency of the Consolidated Entity's foreign operations, Antares Energy Company, BNL (Enterprise) Inc and Las Animas Leasing Inc is United States dollars (USD). As at the reporting date the assets and liabilities of this subsidiary were translated into the presentation currency of Blue Star Helium Limited at the rate of exchange ruling at the balance date and their profit or loss is translated at the average exchange for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the statement of profit or loss and other comprehensive income.

e. Critical accounting estimates, assumptions and judgements

Estimates and assumptions are periodically evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Equally, the Consolidated Entity continually employs judgement in the application of its accounting policies.

2. **Accounting policies (continued)**

Critical Accounting Estimates and Assumptions

The Consolidated Entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

① Impairment of exploration and evaluation assets

The Consolidated Entity's accounting policy for impairment is set out at Note 11. Unless otherwise identified, the following discussion of impairment testing is applicable to the assessment of the recoverable amount of all of the Consolidated Entity's Exploration and Evaluation assets. The Company has valued these assets at the fair value or market price for these assets less impairment.

① Restoration obligations

Where a restoration obligation exists, the Consolidated Entity estimates the future removal costs of production facilities, wells and pipelines at the time of installation of the assets. In most instances, removal of assets occurs many years into the future. This requires judgemental assumptions regarding removal date, future environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating cost, future removal techniques in determining the removal cost and asset. For more detail regarding this policy in respect of the provision for restoration refer to Note 13.

f. Accounting Standards that are mandatorily effective for the current reporting year

The Consolidated Entity has considered the implications of new and amended Accounting Standards which have become applicable for the current financial reporting period.

Initial adoption of AASB 2018-7: Amendments to Australian Accounting Standards – Definition of Material

This amendment principally amends AASB 101 and AASB 108 by refining the definition of material by improving the wording and aligning the definition across the standards issued by the AASB.

Initial adoption of AASB 2019-1: Amendments to Australian Accounting Standards – References to the Conceptual Framework

This amendment amends Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of Conceptual Framework for Financial Reporting by the AASB.

2. Accounting policies (continued)

The standards listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Consolidated Entity has not applied the new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective. Based on a preliminary review of the standards and amendments, the Directors do not anticipate a material change to the Consolidated Entity's accounting policies, however further analysis will be performed when the relevant standards are effective.

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	Consolidated Entity 31 December 2022 \$	Consolidated Entity 31 December 2021 \$
3. Revenue and other income		
Royalty	12,327	8,542
Interest income	27,509	581
Sale of Simmons project (including provision write-back)	-	57,711
	<u>39,836</u>	<u>66,834</u>

Accounting policy:

Revenue is recognised when the Consolidated Entity transfers control of goods to a customer at the amount to which the Consolidated Entity expects to be entitled. Where the consideration promised includes a variable amount, the Consolidated Entity estimates the amount of consideration to which it will be entitled to at the time the revenue is recognised. The following specific recognition criteria must also be met before revenue is recognised:

⦿ *Royalty Revenue – Oil sales*

Revenue from royalties is recognised in the period of production of the underlying oil or gas being produced. Royalty agreements that are based on production, sales and other measures are recognised by reference to the underlying arrangements.

⦿ *Interest*

Revenue is recognised as the interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant year using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

4. Cost of goods sold

Cost of sales: other production costs ⁶	-	(13,672)
	<u>-</u>	<u>(13,672)</u>

⁶ 2021 amount arose from credit note for prior year expenditure.

	Consolidated Entity 31 December 2022 \$	Consolidated Entity 31 December 2021 \$
5. Income tax		
<u>Income tax expense / (benefit)</u>		
Current tax	-	-
Deferred tax	-	-
Under / (over provision) in prior years	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
<u>Amounts recognised directly in equity</u>		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity		
Current tax	-	-
Net deferred tax	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
<u>Reconciliation of income tax expense to prima facie tax payable</u>		
Profit / (loss) from continuing operations before income tax expense	(6,016,745)	(1,395,783)
Tax at the Australian tax rate of 30% (2021: 30%)	(1,805,024)	(418,735)
Tax effect of amounts which are non deductible (taxable) in calculating taxable income:		
• Non-deductible expenses / assessable income	1,315,323	244,587
• Deferred tax asset not brought to account	467,727	169,671
• Movement in unrecognised temporary differences	21,974	4,477
• Non-assessable income	-	-
• Deductible equity raising costs	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
The applicable weighted average effective tax rates	0%	0%

	Consolidated Entity 31 December 2022 \$	Consolidated Entity 31 December 2021 \$
5. Income tax (continued)		
<u>Unrecognised deferred tax asset</u>		
Tax losses- revenue	16,137,619	15,684,831
PPE	-	-
Expenses taken into equity	-	-
Other temporary differences	43,163	16,050
Temporary differences – tax capital losses	1,250	1,250
	16,182,032	15,702,131
Off-set of deferred tax liabilities	-	-
Net deferred tax assets unrecognised	16,182,032	15,702,131

Accounting policy:

Income tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date. Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences; except:

- ⦿ when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- ⦿ when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised; except:

- ⦿ when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

5. *Income tax (continued)*

- ① when the deductible temporary difference is associated with investments in subsidiaries, associates and interests in joint ventures, in which case the deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance date. Income taxes relating to terms recognised directly in equity are recognised in equity and not in profit or loss.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- ① when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- ① receivables and payables which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Consolidated Entity 31 December 2022 \$	Consolidated Entity 31 December 2021 \$
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6. Basic and diluted loss per share

The following reflects the income and share data used in the basic and diluted earnings per share computations:

Net (loss) attributable to ordinary equity holders of the parent (used in calculating basic and diluted loss per share)

(6,016,745)	(1,395,783)
--------------------	-------------

Consolidated Entity 31 December 2022 No.	Consolidated Entity 31 December 2021 No.
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Weighted average number of ordinary shares outstanding during the year used in calculating basic and dilutive EPS

1,586,170,058	1,291,875,146
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Accounting policy:

Basic EPS is calculated as net profit attributable to members of the parent, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element. Diluted EPS is calculated as the net profit attributed to members of the parent, adjusted for:

- ⦿ costs of servicing equity (other than dividends);
- ⦿ the after-tax effect of dividends and interest associated with the dilutive potential ordinary shares that have been recognised as expenses; and
- ⦿ other non-discretionary changes in revenue and expenses during the year that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element. The Consolidated Entity is in a loss position therefore the share based incentive plans do not affect the diluted earnings per share calculation as potential ordinary shares will be treated as dilute when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

	Consolidated Entity 31 December 2022 \$	Consolidated Entity 31 December 2021 \$
7. Cash and cash equivalents		
Cash at bank and on hand	6,824,205	15,632,345
	<u>6,824,205</u>	<u>15,632,345</u>

Accounting policy:

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Reconciliation of net (loss) after tax to net operating cash flows:

Net (loss) for the year	(6,016,745)	(1,395,783)
Impairment of oil & gas properties	1,570,853	-
Depreciation	4,211	1,550
Share based payment	2,707,269	-
Foreign exchange	(558,095)	(1,865)
Provisions	142,670	-
(Increase)/Decrease in receivables and prepayments	5,937	(3,798)
Increase/(Decrease) in creditors and payables	(24,388)	(85,463)
Increase/(Decrease) in provisions	18,542	(43,824)
Net cash (outflows) from operating activities	<u>(2,149,746)</u>	<u>(1,529,183)</u>

8. Trade and other receivables

Other receivables	-	(62)
Bonds	-	34,398
GST refunds	25,855	90,263
	<u>25,855</u>	<u>124,599</u>

There are no receivables that are past due.

Accounting policy:

An estimate for expected credit loss is made when there is objective evidence that the Consolidated Entity will not be able to collect the full debt. Expected credit losses are written off when identified. Financial difficulties of the debtor and default payments are likely to be considered objective evidence of impairment.

	Consolidated Entity 31 December 2022 \$	Consolidated Entity 31 December 2021 \$
9. Other assets		
<u>Current</u>		
Prepaid expenses	140,971	48,164
	<u>140,971</u>	<u>48,164</u>
<u>Non-Current</u>		
Bonds	143,365	151,351
	<u>143,365</u>	<u>151,351</u>
10. Plant and equipment		
Computer equipment		
- At cost	27,499	4,675
- Accumulated depreciation	(14,289)	(1,550)
	<u>13,210</u>	<u>3,125</u>
<i>Reconciliation of the movements in plant and equipment:</i>		
Balance at beginning of year	3,125	-
Additions	14,400	4,675
Depreciation	(4,211)	(1,550)
Exchange difference translation	(104)	-
	<u>13,210</u>	<u>3,125</u>

Accounting policy:

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation

Property, plant and equipment, other than freehold land, is depreciated to their residual values at rates based on the expected useful lives of the assets concerned. The remaining assets use the straight-line approach at 50%.

10. Plant and equipment (continued)

Impairment

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate the carrying value may be impaired. The recoverable amount of property, plant and equipment is the greater of fair value less costs to sell and value in use. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value. Impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. For property, plant and equipment, impairment losses are recognised in profit or loss.

Disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

	Consolidated Entity 31 December 2022 \$	Consolidated Entity 31 December 2021 \$
11. Exploration and evaluation assets		
Capitalised expenditure		
- At cost	13,159,073	6,893,891
- Accumulated amortisation and impairment	-	-
- Exchange difference translation	(699,356)	(125,058)
	12,459,717	6,768,833
<i>Reconciliation of the movements in capitalised expenditure:</i>		
Balance at beginning of year	6,768,833	3,982,025
Exploration and evaluation expenditure incurred during the year	7,961,093	2,911,866
Write-off of exploration and evaluation assets	(1,570,853)	-
Exchange difference translation	(699,356)	(125,058)
Balance at end of period	12,459,717	6,768,833

11. Exploration and evaluation assets (continued)

Blue Star Helium Limited has secured leases in Las Animas County, Colorado, USA over a number of prospects and leads to develop and deliver its helium strategy. This leased acreage is intended to support a drilling programme in the 2023 calendar year. Currently Blue Star Helium Limited has expended certain funds in connection with acquiring and exploring the lands for helium. As at 31 December 2022 there was a total of \$12,459,717 (31 December 2021: \$6,768,833) of expenditure directly connected with this asset which has been capitalised from 1 October 2019 in accordance with AASB 6 Exploration and Evaluation of Mineral Resources.

Accounting policy:

Expenditure on exploration and evaluation is accounted for in accordance with the "area of interest" method. Exploration licence acquisition costs are capitalised and subject to half-yearly impairment testing. All exploration and evaluation costs, including general permit activity, geological and geophysical costs and new venture activity costs are expensed as incurred except where:

- ① The expenditure relates to an exploration discovery where, at balance date, an assessment of the existence or otherwise of economically recoverable reserves is not yet complete and significant operations in, or in relation to, the area of interest are continuing; or
- ② An assessment has been made and it is expected that the expenditure will be recouped through successful exploitation of the area of interest, or alternatively, by its sale.

The costs of drilling exploration wells are initially capitalised pending the results of the well. Costs are expensed where the well does not result in the successful discovery of economically recoverable hydrocarbons or helium. Areas of interest may be recognised at either the field or the well level, depending on the nature of the project. Subsequent to the recognition of an area of interest, all further costs relating to the area of interest are capitalised. Each potential or recognised area of interest is reviewed half-yearly to determine whether economic quantities of reserves have been found or whether further exploration and evaluation work is underway or planned to support the continued carry forward of capitalised costs. Upon approval for the commercial development of an area of interest, accumulated expenditure for the area of interest is transferred to oil, gas and helium properties. The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Impairment

At each reporting date, the Consolidated Entity assesses whether there is any indication that an asset may be impaired. If any such indication of impairment exists, or when annual impairment testing for an asset is required, the Consolidated Entity makes a formal estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of fair value less costs to sell and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases, the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

11. Exploration and evaluation assets (continued)

In assessing value in use, an assessment is made as to whether the Company intends to make substantive expenditures on the asset and the carrying amount of the assets is assessed against the market capitalisation of the Company. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at a revalued amount (in which case the impairment loss is treated as a revaluation decrease). Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit).

	Consolidated Entity 31 December 2022 \$	Consolidated Entity 31 December 2021 \$
12. Trade and other payables		
Trade creditors and other accruals	643,650	602,860
	643,650	602,860

Accounting policy:

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year that are unpaid and arise when the Consolidated Entity becomes obliged to make future payments in respect of the purchase of these goods and services.

13. Provisions

Current

Employee benefits	94,885	29,895
Restoration	133,842	184,071
	228,727	213,966

Non-Current

Employee benefits	5,665	1,884
	5,665	1,884

	Consolidated Entity 31 December 2022 \$	Consolidated Entity 31 December 2021 \$
13. Provisions (continued)		
<i>Reconciliation of the movements in the restoration provision:</i>		
Balance at start of year	184,071	188,305
Additions during the year	133,842	142,205
Utilisation of provision	(119,927)	(125,972)
Reversal of provision	(70,789)	-
Foreign exchange movements	6,645	(20,467)
	<u>133,842</u>	<u>184,071</u>
Balance at end of year	<u>133,842</u>	<u>184,071</u>

The restoration obligations are expected to be incurred over a period from 1 to 15 years. The Company has recognised a provision for restoration related to the estimated cost of restoration work required at the end of the useful life of the wellbores it owns, including removal of facilities and equipment required or intended to be removed. These provisions have been created based on the Company's estimate. These estimates are reviewed regularly to consider any material changes to the assumptions. However actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. These estimates of restoration are subject to significant estimates and assumptions which are outlined in the accounting policy note.

Accounting policy:

Provisions are recognised when the Consolidated Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as finance costs. Liabilities for wages and salaries, and other short-term benefits expected to be settled within 12 months of the reporting date are recognised in current provisions in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

13. *Provisions (continued)*

Restoration provision

The Consolidated Entity records the present value of the estimated cost of legal and constructive obligations to restore operating locations in the year in which the obligation arises. The nature of restoration activities includes the removal of facilities, abandonment of wells and restoration of affected areas. Typically, the obligation arises when the asset is installed at the production location. When the liability is initially recorded, the estimated cost is capitalised by increasing the carrying amount of the related oil and gas properties. Costs incurred that relate to an existing condition caused by past operations, and do not have future economic benefit, are expensed.

	Consolidated Entity 31 December 2022		Consolidated Entity 31 December 2021	
	No.	\$	No.	\$
14. <i>Contributed equity</i>				
Balance at beginning of year	1,586,170,058	26,439,763	1,233,062,915	12,569,133
Share issue from option conversion: 10-May-21	-	-	22,000,000	264,000
Share issue from option conversion: 29-Jul-21	-	-	2,000,000	24,000
Share issue from option conversion: 29-Sep-21	-	-	3,500,000	42,000
Share issue from placement: 04-Nov-21	-	-	267,857,143	15,000,000
Share issue from option conversion: 15-Dec-21	-	-	2,500,000	30,000
Share issue from option conversion: 31-Dec-21	-	-	55,250,000	663,000
Share issue costs	-	(4,431)	-	(2,152,370)
Balance at end of year	1,586,170,058	26,435,332	1,586,170,058	26,439,763

Accounting policy:

Issued and paid up capital is recognised at the fair value of the consideration received by the Consolidated Entity. Any share issue costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the proceeds received.

14. **Contributed equity (continued)**

Capital management

When managing capital, the Board's objective is to ensure the Consolidated Entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity. Management monitors capital by reviewing the level of cash on hand, cash flow forecasts and working capital requirements of the Consolidated Entity in view of the Consolidated Entity's existing cash resources of \$6,824,205 (31 December 2021: \$15,632,345) and ability of the Company to raise capital as needed.

	Consolidated Entity 31 December 2022 \$	Consolidated Entity 31 December 2021 \$
15. Reserves		
<u>Foreign currency translation reserve</u>		
Balance at beginning of period	(79,443)	86,121
Foreign exchange on translation of operations	133,481	(165,564)
Balance at end of period	<u>54,038</u>	<u>(79,443)</u>
<u>Options reserve</u>		
Balance at beginning of period	1,377,561	191,125
Options granted	-	1,186,436
Balance at end of period	<u>1,377,561</u>	<u>1,377,561</u>
<u>Share based payments</u>		
Balance at beginning of period	-	-
Performance rights granted ⁷	2,707,269	-
Balance at end of period	<u>2,707,269</u>	<u>-</u>

⁷ A total of 24,000,000 tranche 1-5 unlisted performance rights expiring 7 January 2024 to 7 January 2025 were granted to Ross Warner; a total of 39,000,000 tranche 1-5 unlisted performance rights expiring 7 January 2024 to 7 January 2025 were granted to Trent Spry; a total of 8,000,000 tranche 1-5 unlisted performance rights expiring 7 January 2024 to 7 January 2025 were granted to Neil Rinaldi; and a total of 10,000,000 tranche 1-5 unlisted performance rights expiring 7 January 2024 to 7 January 2025 were granted to Peter Kondrat on 7 July 2022. A total of 10,000,000 tranche 1-5 unlisted performance rights expiring 18 May 2024 to 18 May 2025 were granted to Scott Fenoglio on 18 November 2022. The performance rights granted to Ross Warner, Trent Spry and Neil Rinaldi were approved by shareholders at the 31 May 2022 annual general meeting. The performance rights granted to Peter Kondrat and Scott Fenoglio were issued using the Company's ASX LR 7.1 (15%) capacity.

	Consolidated Entity 31 December 2022 \$	Consolidated Entity 31 December 2021 \$
15. Reserves (continued)		
Total reserves	4,138,868	1,298,118
	Consolidated Entity 31 December 2022 No.	Consolidated Entity 31 December 2021 No.
<u>Unlisted options</u>		
Balance at beginning of period	34,389,452	85,250,000
Options granted	-	34,389,452
Options converted	-	(85,250,000)
Balance at end of period	34,389,452	34,389,452
<u>Unlisted performance rights</u>		
Balance at beginning of period	-	-
Performance rights granted	91,000,000	-
Balance at end of period	91,000,000	-

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15. Reserves (continued)

Inputs	Director Performance Rights	Employee Performance Rights	Employee Performance Rights
Number of performance rights	71,000,000	10,000,000	10,000,000
Exercise price	\$Nil	\$Nil	\$Nil
Expiry date	Varies between 7 January 2024 & 7 January 2025	Varies between 7 January 2024 & 7 January 2025	Varies between 18 May 2024 & 18 May 2025
Grant date	7 July 2022	7 July 2022	18 November 2022
Vesting date	Upon vesting conditions being met	Upon vesting conditions being met	Upon vesting conditions being met
Vesting conditions	<p>Tranche 1: vest and be convertible upon: the Company publicly reporting two (2) independently certified helium discoveries; and the Company's achieving a 20-day VWAP of \$0.10 or more, within 18 months after issue of the performance right</p> <p>Tranche 2: vest and be convertible upon the Company publicly reporting: Independently certified helium reserves; and Independently certified helium reserves and resources including net recoverable helium meeting at least one of the following metrics: (i) P90 greater than 10 Bcf; or (ii) P50 greater than 20 Bcf; or (iii) P10 greater than 30 Bcf, within 18 months after issue of the performance right</p> <p>Tranche 3: vest and be convertible upon the Company having drilled five (5) separate prospects within two (2) years after issue of the performance right</p> <p>Tranche 4: vest and be convertible upon the Company making a Final Investment Decision (FID) in relation to the development of a facility</p>	<p>Tranche 1: vest and be convertible upon: the Company publicly reporting two (2) independently certified helium discoveries; and the Company's achieving a 20-day VWAP of \$0.10 or more, within 18 months after issue of the performance right</p> <p>Tranche 2: vest and be convertible upon the Company publicly reporting: Independently certified helium reserves; and Independently certified helium reserves and resources including net recoverable helium meeting at least one of the following metrics: (i) P90 greater than 10 Bcf; or (ii) P50 greater than 20 Bcf; or (iii) P10 greater than 30 Bcf, within 18 months after issue of the performance right</p> <p>Tranche 3: vest and be convertible upon the Company having drilled five (5) separate prospects within two (2) years after issue of the performance right</p> <p>Tranche 4: vest and be convertible upon the Company making a Final Investment Decision (FID) in relation to the development of a facility</p>	<p>Tranche 1: vest and be convertible upon: the Company publicly reporting two (2) independently certified helium discoveries; and the Company's achieving a 20-day VWAP of \$0.10 or more, within 18 months after issue of the performance right</p> <p>Tranche 2: vest and be convertible upon the Company publicly reporting: Independently certified helium reserves; and Independently certified helium reserves and resources including net recoverable helium meeting at least one of the following metrics: (i) P90 greater than 10 Bcf; or (ii) P50 greater than 20 Bcf; or (iii) P10 greater than 30 Bcf, within 18 months after issue of the performance right</p> <p>Tranche 3: vest and be convertible upon the Company having drilled five (5) separate prospects within two (2) years after issue of the performance right</p> <p>Tranche 4: vest and be convertible upon the Company making a Final Investment Decision (FID) in relation to the development of a facility</p>

NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 31 DECEMBER 2022

	for the development of a helium project within 2 years after issue of the performance right Tranche 5: vest and be convertible upon the Company selling helium within 30 months after issue of the performance right	for the development of a helium project within 2 years after issue of the performance right Tranche 5: vest and be convertible upon the Company selling helium within 30 months after issue of the performance right	for the development of a helium project within 2 years after issue of the performance right Tranche 5: vest and be convertible upon the Company selling helium within 30 months after issue of the performance right
Share price at grant date	\$0.03	\$0.03	\$0.03
Risk free interest rate	2.725%	2.725%	3.053%
Volatility	85%	85%	85%
Performance rights value (total)	\$2,157,202	\$286,514	\$263,553

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15. Reserves (continued)

Non-performance based options

Inputs	Broker Options	Broker Options
Number of options	17,194,726	17,194,726
Exercise price	\$0.084	\$0.112
Expiry date	04-Nov-23	04-Nov-24
Grant date	04-Nov-21	04-Nov-21
Vesting date	N/A	N/A
Share price at grant date	\$0.050	\$0.05
Risk free interest rate	0.56%	0.89%
Volatility	142%	164%
Option value	\$0.030	\$0.039

Accounting policy:

The Consolidated Entity provides benefits to directors and employees of the Consolidated Entity in the form of equity, whereby directors and employees render services in exchange for shares, options to acquire shares or rights over shares. The cost of these equity-settled transactions with employees and directors 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 an appropriate model. In valuing equity-settled transactions, account is taken of performance conditions where the conditions are linked to the price of the shares of Blue Star Helium Limited. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the year in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) for non-market-based hurdles, the extent to which the hurdle has been satisfied. Consolidated Entity's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for changes in the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of the fair value at grant date. The profit or loss charge or credit for a year represents the movement in cumulative expense recognised as at the beginning and end of that year. The dilutive effect, if any, of outstanding securities is reflected as additional share dilution in the computation of earnings per share.

Options / performance rights reserve

The options / performance rights reserve is used to record the value of share-based payments and other options purchased by/provided to Key Management Personnel, and other parties as part of their remuneration, or for the provision of services.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the conversion of the financial statement of foreign subsidiaries.

16. Financial risk management objectives and policies

The Company and the Consolidated Entity have exposure to the following risks from their use of financial instruments:

- market risk;
- liquidity risk; and
- credit risk.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board is responsible for developing and monitoring risk management policies. The Consolidated Entity's principal financial instruments comprise cash at bank. The main purpose of these financial instruments is to provide working capital for the Consolidated Entity's operations. The Consolidated Entity has various other financial instruments such as trade creditors, which arise directly from its operations. Throughout the year under review, the Consolidated Entity's policy is that no trading in financial instruments shall be undertaken. The main risks arising from the Consolidated Entity's financial instruments are market risk (which includes equity price risk, interest rate risk, foreign currency risk and commodity risk), liquidity risk and credit risk. The Board reviews and agrees on policies for managing each of these risks and they are summarised below:

○ **Market risk**

Equity price risk

As at 31 December 2022 there is no material equity risk for the Company.

Interest rate risk

At balance date the Consolidated Entity's exposure to market risk for changes in interest rates relates primarily to the Company's cash at bank. As at 31 December 2022 there is no material interest rate risk for the Company.

Foreign currency risk

As a result of the Company's operations in the USA being denominated in USD, the Consolidated Entity's Statement of Financial Position can be affected significantly by movements in the USD/AUD exchange rates. The Company does not hedge this translational risk exposure. The Consolidated Entity manages its foreign exchange risk by constantly reviewing its exposure to commitments payable in foreign currency and ensuring appropriate cash balances are maintained in United States Dollars, to meet current operational commitments. At 31 December 2022 the Consolidated Entity had no forward foreign exchange contracts in place.

Commodity price risk

The Consolidated Entity is exposed to commodity price fluctuations through the sale of petroleum products denominated in US dollars – specifically the natural gas, condensate and oil prices in the USA. The Consolidated Entity will have a future price risk to helium prices once any wells enter production.

16. *Financial risk management objectives and policies (continued)*

• **Liquidity risk**

The Consolidated Entity's objective is to maintain a balance between continuity of funding and flexibility through the use of its cash and funding alternatives. The Consolidated Entity manages liquidity risk by maintaining adequate funds through the monitoring of future rolling cash flow forecasts of its operations, which reflect management's expectations of the settlement of financial assets and liabilities. The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of any netting agreements.

	Consolidated Entity 31 December 2022 \$	Consolidated Entity 31 December 2021 \$
0 – 6 months	(643,650)	(602,860)
6 – 12 months	-	-
1 – 5 years	-	-
	(643,650)	(602,860)

The following table discloses the contractual maturity analysis of financial assets and liabilities as at the end of the financial year:

	<6 Months	6-12 Months	1-5 Years	>5 Years	Total
31 December 2022					
Financial assets					
Cash and cash equivalents	6,824,205	-	-	-	6,824,205
Trade and other receivables	25,855	-	-	-	25,855
Deposits	-	-	143,365	-	143,365
	6,850,060	-	143,365	-	6,993,425
Financial liabilities					
Trade and other payables	(643,650)	-	-	-	(643,650)
	(643,650)	-	-	-	(643,650)
Net inflow / (outflow)	6,206,410	-	143,365	-	6,349,775

16. *Financial risk management objectives and policies (continued)*

	<6 Months	6-12 Months	1-5 Years	>5 Years	Total
31 December 2021					
<u>Financial assets</u>					
Cash and cash equivalents	15,632,345	-	-	-	15,632,345
Trade and other receivables	90,201	34,398	-	-	124,599
Deposits	-	-	151,351	-	151,351
	15,722,546	34,398	151,351	-	15,908,295
<u>Financial liabilities</u>					
Trade and other payables	(602,860)	-	-	-	(602,860)
	(602,860)	-	-	-	(602,860)
Net inflow / (outflow)	15,119,686	34,398	151,351	-	15,305,435

① **Credit risk**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity. Credit risk arises from the financial assets of the Consolidated Entity, which comprise cash and cash equivalents, trade and other receivables. The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Consolidated Entity's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained. Exposure at balance date is addressed in each applicable note. The Consolidated Entity does not hold any credit derivatives to offset its credit exposure. The Consolidated Entity trades only with recognised, creditworthy third parties and has adopted a policy of dealing with creditworthy counterparts and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. Specific concentration of credit risk exists primarily within cash and cash equivalents and trade receivables in respect of receivables due from joint venture operators for the Consolidated Entity's share of proceeds from the sale of oil and gas by the operator, as well as cash held by joint venture operations in advance of operations being performed. As at 31 December 2022 the only trade receivables and other receivable is for GST receivable. The Consolidated Entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The carrying amount of financial assets recorded in the financial statements, net of any allowance for impairment losses, represents the Consolidated Entity's maximum exposure to credit risk.

16. *Financial risk management objectives and policies (continued)*

○ **Fair value**

All assets and liabilities for which fair value is disclosed in the financial statements are categorised within the fair value hierarchy, described below as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The Directors consider that the carrying amount of the financial assets and liabilities recorded in the financial statements approximate their fair values.

17. *Operating segments*

For management purposes, the Company is organised into one main operating segment, which involves helium (including oil and gas) exploration, development and production in the USA. All the Company's activities are interrelated, and discrete financial information is reported to the Chairman and the management team as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Consolidated Entity as a whole. The Consolidated Entity derives its revenue from the sale of gas, condensate & NGL's produced in the USA. During the reporting periods ended 31 December 2022 and 31 December 2021 external sales of gas, condensate & NGL's were made to customers solely located in the USA.

	US	Corporate	Total
31 December 2022			
Segment revenue	12,327	27,509	39,836
Segment assets	12,889,870	6,717,453	19,607,323
Segment liabilities	(601,546)	(276,496)	(878,042)
31 December 2021			
Segment revenue	66,253	581	66,834
Segment assets	7,042,601	15,685,816	22,728,417
Segment liabilities	(704,916)	(113,794)	(818,710)

Consolidated Entity 31 December 2022 \$	Consolidated Entity 31 December 2021 \$
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18. Auditor's remuneration

The auditor of Blue Star Helium Limited is Stantons International. Amounts received or due and receivable in relation to the entity or any other entity in the Consolidated Entity:

Audit or review of the financial report	<u>50,469</u>	36,673
	<u>50,469</u>	<u>36,673</u>

Total fees paid or payable to the Company's auditors Stantons Corporate Finance Pty Ltd for non-audit services provided to the Company during the year ended 31 December 2022 were \$3,600 (2021: \$800).

19. Director and KMP disclosures

The following persons were Directors of Blue Star Helium Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Name	Title
Ross Warner	Executive Chairman
Trent Spry	Managing Director and Chief Executive Officer
Neil Rinaldi	Non-Executive Director
Peter Kondrat	Chief Operating Officer
Scott Fenoglio	Chief Financial Officer

Consolidated Entity 31 December 2022 \$	Consolidated Entity 31 December 2021 \$
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Compensation by Category: Key Management Personnel

Short-Term (including bonus)	834,794	608,541
Post-Employment	53,828	38,273
Long-Term	-	-
Share-based Payments	<u>2,707,269</u>	-
	<u>3,595,891</u>	<u>646,814</u>

19. *Director and KMP disclosures (continued)*

During the year ended 31 December 2022 and the year ended 31 December 2021 there were no loans provided to Key Management Personnel. There was an amount of \$9,027 accrued at 31 December 2022 (2021: \$Nil) relating to business expenses incurred by Directors.

There were no transactions with Key Management Personnel other than those described above. At 31 December 2022 and 31 December 2021 there were no balances outstanding in relation to Key Management Personnel other than those described above and in the Remuneration Report.

	Company 31 December 2022 \$	Company 31 December 2021 \$
20. Parent Entity information		
Current Assets	6,704,244	15,682,691
Non-Current Assets	876,998	526,719
Total Assets	7,581,242	16,209,410
Current Liabilities	345,465	165,608
Non-Current Liabilities	5,665	1,884
Total Liabilities	351,130	167,492
Net Assets	7,230,112	16,041,918
EQUITY		
Contributed equity	26,435,332	26,439,763
Reserves	4,084,830	1,377,561
Accumulated losses	(23,290,050)	(11,775,406)
Total Equity	7,230,112	16,041,918
(Loss) for the year	(11,514,644)	(7,624,943)
Total comprehensive (loss) for the year	(11,514,644)	(7,624,943)

There are no commitments or contingencies other than those disclosed in this report. There are no guarantees.

21. *Events after the end of the reporting period*

There are no matters or circumstances that have arisen since the end of the period which will significantly affect, or may significantly affect, the state of affairs or operations of the Consolidated Entity in future financial years.

Consolidated Entity 31 December 2022 \$	Consolidated Entity 31 December 2021 \$
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22. Commitments and contingencies

The Consolidated Entity is planning to undertake a drilling programme later this year but as at 31 December 2022 it is not formally committed. There were no material commitments relating to operating and exploration expenditure other than the following:

< 1 year	392,844	349,031
1 – 5 years	846,629	1,396,125
> 5 years	5,247	-
	1,244,720	1,745,156

a. Contingent assets

There are no contingent assets as at 31 December 2022.

b. Contingent liabilities

There are no contingent liabilities as at 31 December 2022.

25. Interests in controlled entities

Company Name	Place of Incorporation	31 December 2022 % Ownership	31 December 2021 % Ownership
<u>Controlled by Blue Star Helium Limited:</u>			
Santa Energy Pty Ltd	Australia	100%	100%
BNL (USA Helium) Pty Ltd	Australia	100%	100%
<u>Controlled by Santa Energy Pty Ltd:</u>			
Antares Energy Company	USA	100%	100%
<u>Controlled by BNL (USA Helium) Pty Ltd:</u>			
BNL (Enterprise) Inc	USA	100%	100%
Las Animas Leasing Inc	USA	100%	100%

DIRECTORS' DECLARATION

In accordance with a resolution of Directors of Blue Star Helium Limited, the Directors declare that:

- ① they are of the opinion that the Consolidated financial statements and Notes of Blue Star Helium Limited, and the remuneration disclosures contained in the Remuneration Report for the year ended 31 December 2022 are in accordance with the Corporations Act 2001, including:
 - giving a true and fair view of the financial position as at 31 December 2022 and the performance for the year ended on that date of the Consolidated Entity; and
 - complying with Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- ① the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1; and
- ① in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

On behalf of the directors



Ross Warner
Executive Chairman

30 March 2023

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
BLUE STAR HELIUM LIMITED**

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Blue Star Helium Limited ("the Company"), and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of 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 statements, 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 31 December 2022 and of its financial performance for the year then ended; 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 Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: Code of Ethics for Professional Accountants (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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key Audit Matters

We have determined the matters described below to be Key Audit Matters to be communicated in our report.

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.

Key Audit Matters	How the matter was addressed in the audit
<p data-bbox="260 696 782 752">Carrying Value of Exploration and Evaluation Assets</p> <p data-bbox="260 781 794 864">As at 31 December 2022, Exploration and Evaluation Assets totalled \$12,459,717 (refer to Note 11 of the financial report).</p> <p data-bbox="260 891 794 947">The carrying value of exploration and evaluation assets is a key audit matter due to:</p> <ul data-bbox="260 974 794 1361" style="list-style-type: none"><li data-bbox="260 974 794 1030">• The significance of the expenditure capitalised representing 64% of total assets;<li data-bbox="260 1057 794 1225">• The necessity to assess management's application of the requirements of the accounting standard Exploration for and Evaluation of Mineral Resources ("AASB 6"), in light of any indicators of impairment that may be present; and<li data-bbox="260 1252 794 1361">• The assessment of significant judgements made by management in relation to the capitalised exploration and evaluation expenditure.	<p data-bbox="847 781 1382 837">Inter alia, our audit procedures included the following:</p> <ol data-bbox="847 864 1382 1715" style="list-style-type: none"><li data-bbox="847 864 1382 1003">i. Assessing the Group's right to tenure over exploration assets by corroborating the ownership of the relevant licences for mineral resources to government registries and relevant third-party documentation;<li data-bbox="847 1030 1382 1249">ii. Reviewing the directors' assessment of the carrying value of the capitalised exploration and evaluation costs, ensuring the veracity of the data presented and assessing management's consideration of potential impairment indicators, commodity prices and the stage of the Group's projects also against AASB 6;<li data-bbox="847 1276 1382 1579">iii. Evaluation of Group documents for consistency with the intentions for continuing exploration and evaluation activities in areas of interest and corroborated in discussions with management. The documents we evaluated included:<ul data-bbox="887 1467 1382 1579" style="list-style-type: none"><li data-bbox="887 1467 1382 1523">▪ Minutes of the board and management; and<li data-bbox="887 1527 1382 1579">▪ Announcements made by the Group to the Australian Securities Exchange; and<li data-bbox="847 1606 1382 1715">iv. Consideration of the requirements of accounting standard AASB 6 and reviewed the financial statements to ensure appropriate disclosures are made.

Share Based Payments

During the year, the Company granted various performance rights to the directors and other key management.

The key terms of the performance rights and the valuation have been disclosed in Note 15 and is considered a key audit matter due to:

- The quantum of the valuation attributed to the performance rights (\$2,707,269); and
- The judgement required in the application of AASB 2 Share based payment ("AASB 2").

AASB 2 required the Company to determine the probability of the performance rights vesting, which directly impacts the valuation of the share based payments booked.

Inter alia, our audit procedures included the following:

- i. Verifying the key terms of the performance rights granted to underlying award documents;
- ii. Assessing the fair value calculation of the rights granted by verifying the independent valuations obtained by management;
- iii. Obtained representations from management on the probabilities and assumptions used in the valuation;
- iv. Testing the accuracy of the share based payments over the vesting periods and recording of expense in the profit or loss statement and increment to share based payment reserve; and
- v. Considering the adequacy of the financial report disclosures contained in Note 15 in relation to AASB 2.

Going Concern

As at 31 December 2022 as detailed in Note 2(b) of the financial report, the financial statements were prepared on a going concern basis.

Going Concern is a key audit matter due to:

- The loss before tax for year of \$6,016,745;
- The operating cash outflows of \$2,149,746; and
- The inherent risk of exploration companies needing to raise capital to fund their operations.

Inter alia, our audit procedures included the following:

- i. We have challenged the key assumptions underpinning management's forecasted cash flows for the next 12 months;
- ii. Considered the range of reasonable and possible scenarios for the forecasted cash flows; and
- iii. Considered whether the disclosures relating to going concern (Note 2(b)) in the financial report, referred to in the basis of preparation section of the accounting policies, are balanced, proportionate and clear.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2022, but does not include the financial report and our auditor's report thereon.

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

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the



audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in Internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 24 of the directors' report for the year ended 31 December 2022.

In our opinion, the Remuneration Report of Blue Star Helium Limited for the year ended 31 December 2022 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.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(An Authorised Audit Company)

Stantons International Audit & Consulting Pty Ltd

A handwritten signature in blue ink that reads "Martin Michalik".

Martin Michalik
Director

West Perth, Western Australia
30 March 2023

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As at 24 March 2023

Issued Securities

	Listed on ASX	Unlisted	Total
Fully paid ordinary shares	1,586,170,058	-	1,586,170,058
\$0.084 unlisted options expiring 04-Nov-23	-	17,194,726	17,194,726
\$0.112 unlisted options expiring 04-Nov-24	-	17,194,726	17,194,726
Tranche 1 & 2 performance rights expiring 07-Jan-24	-	32,400,000	32,400,000
Tranche 3 & 4 performance rights expiring 07-Jul-24	-	32,400,000	32,400,000
Tranche 5 performance rights expiring 07-Jan-25	-	16,200,000	16,200,000
Tranche 1 & 2 performance rights expiring 18-May-24	-	4,000,000	4,000,000
Tranche 3 & 4 performance rights expiring 18-Nov-24	-	4,000,000	4,000,000
Tranche 5 performance rights expiring 18-May-25	-	2,000,000	2,000,000
Total	1,586,170,058	125,389,452	1,711,559,510

Distribution of Listed Ordinary Fully Paid Shares

Spread of Holdings	Number of Holders	Number of Units	% of Total Issued Capital
1 - 1,000	174	42,477	0.00%
1,001 - 5,000	41	95,757	0.01%
5,001 - 10,000	132	1,189,055	0.08%
10,001 - 100,000	1,720	75,599,465	4.77%
100,001 - and over	1,169	1,509,243,304	95.14%
Total	3,236	1,586,170,058	100.00%

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Top 20 Listed Ordinary Fully Paid Shareholders

Rank	Shareholder	Shares Held	% Issued Capital
1.	BUTTONWOOD NOMINEES PTY LTD	59,673,000	3.76%
2.	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	58,992,364	3.72%
3.	CITICORP NOMINEES PTY LIMITED	42,581,785	2.68%
4.	MR TIMOTHY WONG	29,000,000	1.83%
5.	MR NIKOLA KRKOVSKI	28,281,722	1.78%
6.	MS JOANNE KENDRICK	27,600,000	1.74%
7.	MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED <NO 1 ACCOUNT>	27,159,182	1.71%
8.	TRDJS PTY LIMITED <DD FAMILY A/C>	26,850,000	1.69%
9.	ELLIOT HOLDINGS PTY LTD <CBM FAMILY A/C> ELLIOT HOLDINGS PTY LTD <CBM FAMILY A/C>	26,825,000	1.69%
10.	EQUITY TRUSTEES LIMITED <LOWELL RESOURCES FUND A/C>	25,714,286	1.62%
11.	PAMPLONA OPPORTUNITIES LTD	24,835,555	1.57%
12.	AEI AUSTRALIA PTY LTD <ROD LADD FAMILY A/C>	23,500,000	1.48%
13.	OCEANVIEW SUPER FUND PTY LTD <OCEANVIEW SUPER FUND A/C>	22,721,522	1.43%
14.	MR SEBASTIAN MARR	22,000,000	1.39%
15.	MISS JUI-TING HSU & MISS YU-JU HSU <HSU FAMILY S/F A/C>	20,331,240	1.28%
16.	MR HUGH DAVID WARNER & MRS DIANNE MICHELLE WARNER <CBM SUPER FUND A/C>	20,200,000	1.27%
17.	UNITED EQUITY PARTNERS PTY LTD <POLYCORP FAMILY A/C>	20,150,000	1.27%
18.	OPTIM8 PTY LTD <THE GIC SUPER FUND A/C>	20,000,000	1.26%
19.	SHELCO HOLDINGS PTY LTD <SHELCO HOLDINGS A/C>	19,040,484	1.20%
20.	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	17,316,575	1.09%
Total		562,772,715	35.48%

The number of shareholdings held in less than marketable parcels is 669.

The Company has the following substantial shareholders listed in its register as at 24 March 2023:

Rank	Shareholder	Shares Held	% Issued Capital
1.	N/A	N/A	N/A

Ordinary Shares Voting Rights - Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

- ① each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- ① on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- ① on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Share, but in respect of partly paid Shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

The Company has no restricted securities on issue as at the date of this report.

Schedule of LicencesHelium Project, Colorado, USA

Counterparty	Location	Operator	Total Net Acres ⁸	Working Interest	Net Revenue Interest
Fee Minerals Owners	Las Animas, CO	Blue Star Group	95,955	100%	80.0% - 87.5%
Colorado State	Las Animas, CO	Blue Star Group	42,280	100%	80%
Bureau of Land Management	Las Animas, CO	Blue Star Group	86,081	100%	87.5%

Hawkeville Overriding Royalty Interest

Well Name	Area	Royalty Interest
Donnell 457 1&2	McMullen, TX	0.125000%
Donnell C-1H	McMullen, TX	0.993450%
Donnell C-2H	McMullen, TX	0.993450%
Donnell-Mullholland Unit 1&2	McMullen, TX	0.059553%

⁸ Includes BNL's WI portion of 640 acres held and operated by Vecta Oil & Gas Ltd (Vecta) pursuant to the Participation Agreement between Vecta, Prospero Oil and Gas LLC and Las Animas Leasing Inc more fully described in the Company's announcement of 22 December 2021.