BLUE STAR HELIUM

**Blue Star Helium Limited**
**And Controlled Entities**

**ABN: 49 623 130 987**

# HALF YEAR REPORT

## For the Half Year Ended 30 June 2023

**CONTENTS**

## 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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## AUDITORS
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## STOCK EXCHANGE LISTING
Australian Securities Exchange
ASX Code: BNL

OTC Markets
OTCQB:BSNLF

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 half-year ended 30 June 2023 ('**H1 FY23**').

## DIRECTORS

The following persons were Directors of Blue Star Helium Limited during the whole of the financial half-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 |

## COMPANY SECRETARY

| Name | Title |
|---|---|
| Amanda Wilton-Heald | Company Secretary |

## PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the half-year ended 30 June 2023 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 half year ended 30 June 2023 was $1,806,616 (30 June 2022: loss of $2,893,633).

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

| | 30 June 2023 (6 months) $ | 31 December 2022 (12 months) $ | 30 June 2022 (6 months) $ | 31 December 2021 (12 months) $ |
|---|---|---|---|---|
| Revenue (including other income) | 43,778 | 39,836 | 7,824 | 66,834 |
| **EBITDA** | (1,833,546) | (6,040,040) | (2,893,717) | (1,394,814) |
| EBIT | (1,837,662) | (6,044,251) | (2,895,324) | (1,396,364) |
| Loss after income tax | (1,806,616) | (6,016,745) | (2,893,633) | (1,395,783) |

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

| | 30 June 2023 $ | 31 December 2022 $ | 30 June 2022 $ | 31 December 2021 $ |
|---|---|---|---|---|
| Share price at financial period end | 0.025 | 0.04 | 0.029 | 0.062 |

## Operating Review

**Master Services Agreement signed with IACX Energy LLC**

The major milestone achieved during the H1 FY23 was execution of an agreement with IACX Energy LLC (IACX) to provide helium recovery services at the Voyager project.

IACX is a fully integrated helium production, processing and marketing company that operates several standalone facilities across the Midcontinent and Four Corners areas of the US. The executed agreement includes delivery and operation of the plant with nameplate raw gas to produce 98+% purity helium product gas ('**He**'), with production targeted to commence in Q4 2023 and sales to start promptly soon after.

IACX will be paid a monthly fee for its services and, aside from this monthly fee, the Company will not be liable for any capital costs associated with the fabrication of the plant.

The pressure swing adsorption (PSA) facility to be provided and operated by IACX has the expected physical capabilities outlined in Table 1.

***Table 1 – Blue Star Projections***

| Plant metrics | Unit | Value |
|---|---|---|
| **Nameplate raw gas input** | MMcf/d | 2.0 |
| **Helium recovery** | % | 90 |
| **Helium product purity** | % He | 98 |
| **Plant run time** | % | 95 |
| **Input gas assumptions** | | |
| **Raw gas He concentration** | % He | 8.0 |
| **Output at full capacity** | | |
| **Tailgate helium product gas output** | MMcf pa | 44.4 |
| **Net helium product gas output** | MMcf pa | 37.7 |

Notes to the table above:

1. The tailgate helium product gas output is the helium volume at the facility tailgate after applying the recovery, product purity and plant run time factors and assumes a raw gas input of 2 MMcf/d with an 8% helium concentration. It is calculated in respect of the first 12 months of operation at full capacity after a period of ramp-up to full production.
2. The net helium product gas output is the tailgate helium product gas output net to Blue Star after the deduction of royalties.
3. There will be a period of ramp-up to full production. The length of this period is a function of several factors, including well performance and well count.

The total field and plant related operating costs for Voyager (after deduction of royalties and all costs) are expected to be between US$100 and US$120 per Mcf of produced He net to Blue Star.

Subsequent to the half year end, the Company also acquired the key feed compressor for the Voyager development. The compressor was identified as a long lead item which is currently being refurbished in the Company's engineers' yard.

The compressor, as part of the Blue Star gathering system, is shown with a red star in Figure 1 below.

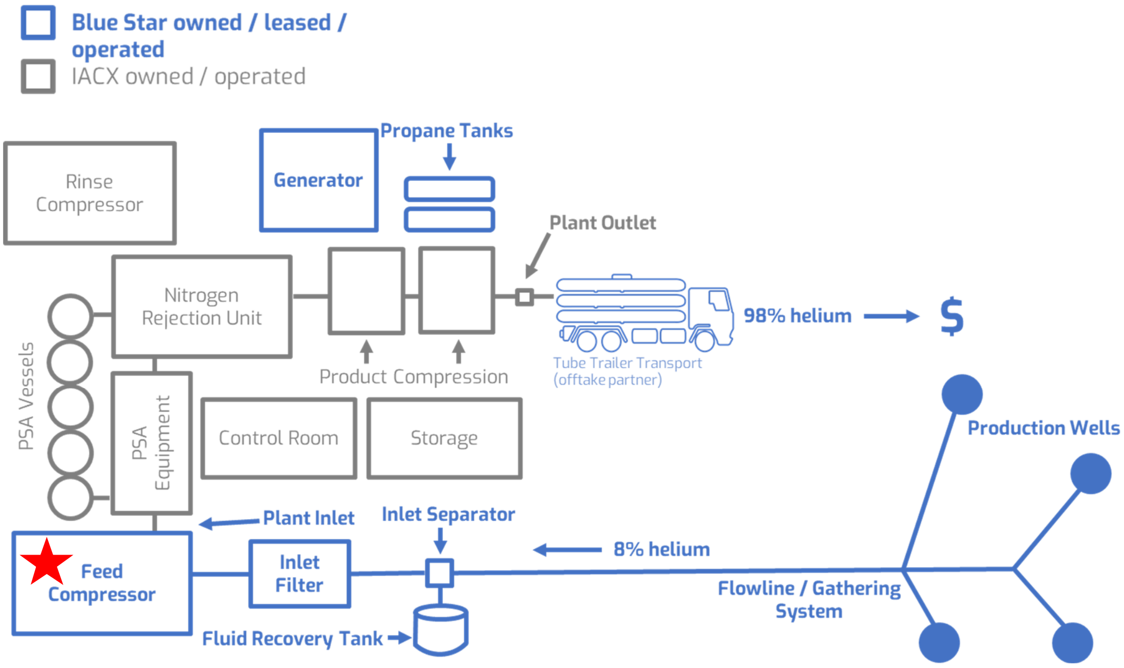


*Figure 2: Voyager development plant layout*

### Initial development well drilling program

The Company received approvals from the Colorado Energy & Carbon Management Commission (CECMC) (formerly named the Colorado Oil and Gas Conversation Commission) for drilling of two wells, BBB 33#1 and BBB 34#1. Four subsequent wells were submitted in the second Voyager OGDP and are awaiting approval. All locations are shown in Figure 2 below.

These approved and pending-approval wells deliver a robust inventory from which the initial 2-4 production wells will be selected to deliver targeted nameplate helium output at Voyager.

The Company expects rig mobilisation and commencement of development well drilling at Voyager during October 2023.

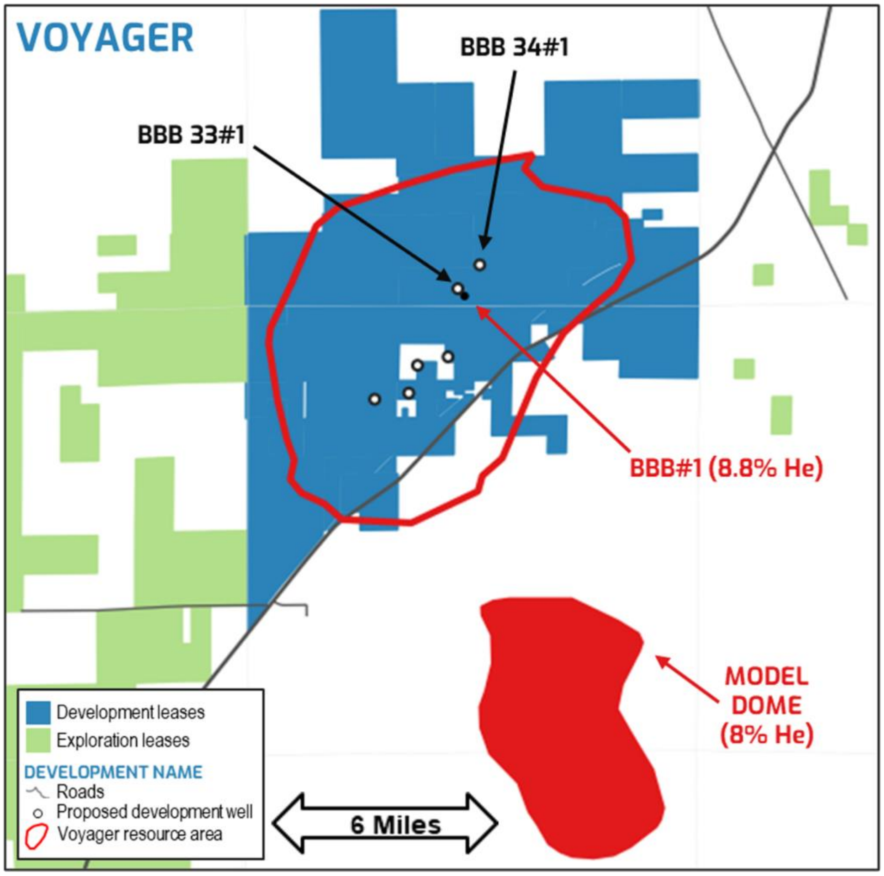


*Figure 2: Planned well locations at the Voyager prospect helium development*

**Helium pricing**

Short term helium sales contracts are currently priced at a significant premium to long term contracts, with this price differential expected to persist. Current pricing estimates for US short-term contracts and spot markets are understood to be US$450 – $3,000/Mcf helium (98% to 99.999% purity).

Blue Star plans to sell its Voyager output into the spot and short-term contract markets in order to capitalise on these premium pricing dynamics. The ability to do this is a direct function of the midstream development pathway chosen for Voyager (leasing the plant) removing any need for the Company to enter into price-concession offtake agreements.

The Company has multiple potential pathways to further purify the gas to 99.999% He or liquids via third party processing plants should these higher priced product opportunities present.

**Galactica/Pegasus development**

During H1 FY23, the CECMC approved the OGDP relating to three proposed helium development well locations – Jackson #01, Jackson #02 and Jackson #03. These wells are planned to be drilled as offset development wells to the JXSN#1 and JXSN#2 helium discoveries.

Final permits have previously been received for the drilling of the State 09, 16, 35 and 36 helium development wells (see BNL ASX release of 19 April 2023). As at the end of the June quarter, Blue Star has a further four-well OGDP for Galactica/Pegasus awaiting approval and a further 20 drilling locations identified for permitting. The location of the development wells (approved and awaiting OGDP approval) at Galactica/Pegasus are shown on Figure 2 below.

The third-party owned Red Rocks helium project adjoins Blue Star's Galactica prospect (see Figure 3 below). Red Rocks recently commenced production from two wells, into an IACX-operated helium recovery plant, and is selling helium gas into the market. Development and operation of Red Rocks further supports both the viability of Blue Star's Galactica helium resource and the Company's chosen development pathway at Voyager. Blue Star plans to provide a resource update for Galactica/Pegasus after integration of the Red Rocks discovery wells and production data, as it becomes publicly available.

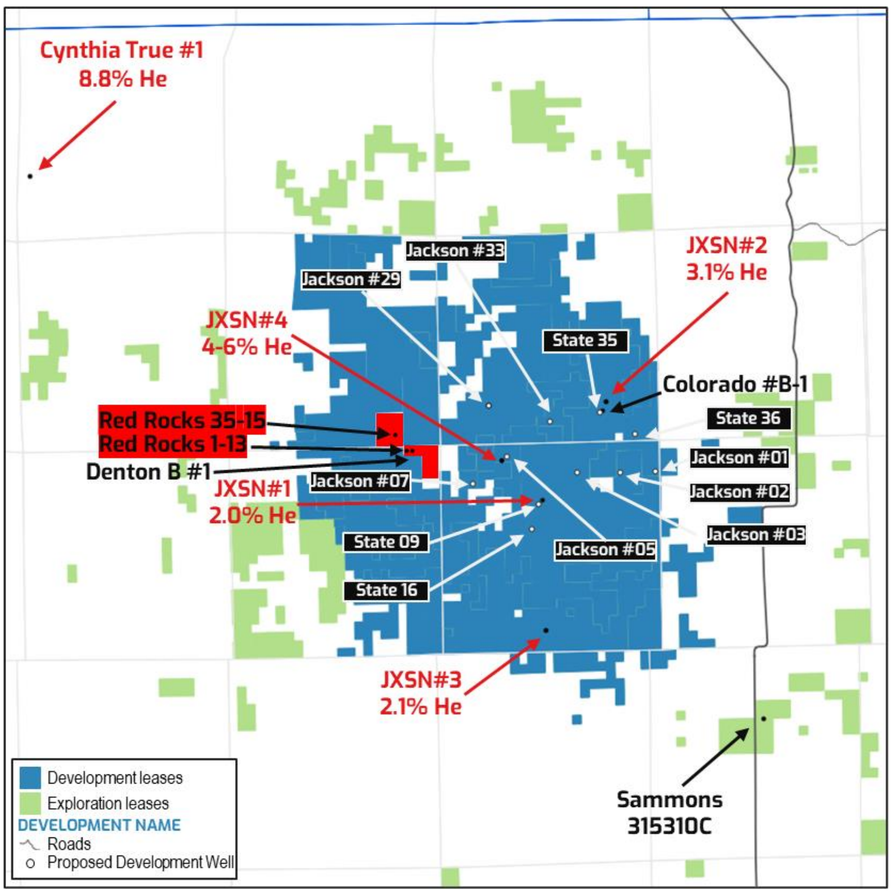


***Figure 3: Galactica/Pegasus helium development planned well locations***

Galactica/Pegasus is a larger, longer-dated project compared to Blue Star's maiden Voyager project, with multiple potential product streams. Further engineering and market work is underway to refine the planned development and forecast helium and potential $CO_2$ production and cost estimates.

## Corporate

### Annual General Meeting

Blue Star's 2023 Annual General Meeting (AGM) was held on 26 May 2023 in Sydney. All resolutions put to the meeting were passed.

### 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.

### SHARES ISSUED AS A RESULT OF THE EXERCISE OF OPTIONS

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

### EVENTS SUBSEQUENT TO REPORTING DATE

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

### 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.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporation Act 2001.

Ross Warner
Executive Chairman

8 September 2023

**Stantons**

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8 September 2023

Board of Directors
Blue Star Helium Limited
Level 8, London House
216 St Georges Terrace
Perth WA 6000

Dear Sirs

**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 review of the financial statements of Blue Star Helium Limited for the half-year ended 30 June 2023, 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 review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

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

**Martin Michalik**
**Director**

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**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 30 JUNE 2023**

| | Note | Consolidated Entity 30 June 2023 $ | Consolidated Entity 30 June 2022 $ |
|---|---|---|---|
| **Revenue** | 3 | **3,846** | 6,133 |
| Cost of goods sold | 4 | **8,886** | - |
| Gross loss | | **12,732** | 6,133 |
| Other income | 3 | **31,046** | 1,691 |
| Other expenses | | **(472,764)** | (332,439) |
| Write-off of exploration and evaluation assets | 8 | **(401,382)** | - |
| Rehabilitation costs | | **1,094** | (45,701) |
| Employment expenses | | **(858,978)** | (265,660) |
| Foreign exchange | | **182,096** | 393,680 |
| Share based payment expense | 12 | **-** | (2,486,679) |
| Business development expenses | | **(195,062)** | (102,606) |
| Legal expenses | | **(105,398)** | (62,052) |
| **Loss before tax** | | **(1,806,616)** | (2,893,633) |
| Income tax expense | | **-** | - |
| **Net loss for the half year from operations** | | **(1,806,616)** | (2,893,633) |
| **Other comprehensive income** | | | |
| Exchange differences on translation of foreign entities | 12 | **32,315** | 185,952 |
| **Total comprehensive loss for the half year** | | **(1,774,301)** | (2,707,681) |
| Basic and diluted loss per share (cents) | | **(0.011)c** | (0.018)c |

The accompanying notes form part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**AS AT 30 JUNE 2023**

| | Note | Consolidated Entity 30 June 2023 $ | Consolidated Entity 31 December 2022 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 5 | **3,825,127** | 6,824,205 |
| Trade and other receivables | 6 | **21,206** | 25,855 |
| Other assets | 7 | **118,144** | 140,971 |
| **Total Current Assets** | | **3,964,477** | 6,991,031 |
| **Non-Current Assets** | | | |
| Other assets | 7 | **145,757** | 143,365 |
| Plant and equipment | | **11,694** | 13,210 |
| Exploration and evaluation assets | 8 | **13,318,814** | 12,459,717 |
| **Total Non-Current Assets** | | **13,476,265** | 12,616,292 |
| **Total Assets** | | **17,440,742** | 19,607,323 |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 9 | **257,732** | 643,650 |
| Provisions | 10 | **220,155** | 228,727 |
| **Total Current Liabilities** | | **477,887** | 872,377 |
| **Non-Current Liabilities** | | | |
| Provisions | 10 | **7,875** | 5,665 |
| **Total Non-Current Liabilities** | | **7,875** | 5,665 |
| **Total Liabilities** | | **485,762** | 878,042 |
| **Net Assets** | | **16,954,980** | 18,729,281 |
| **EQUITY** | | | |
| Contributed equity | 11 | **26,435,332** | 26,435,332 |
| Reserves | 12 | **4,171,183** | 4,138,868 |
| Accumulated losses | | **(13,651,535)** | (11,844,919) |
| **Total Equity** | | **16,954,980** | 18,729,281 |

The accompanying notes form part of these financial statements.

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## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE HALF YEAR ENDED 30 JUNE 2023

| Consolidated Entity | Contributed Equity $ | Foreign Currency Translation Reserve $ | Share Option Reserve $ | Share Based Payments Reserve $ | Accumulated Losses $ | Total $ |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2023** | **26,435,332** | **54,038** | **1,377,561** | **2,707,269** | **(11,844,919)** | **18,729,281** |
| Loss for the half year | - | - | - | - | (1,806,616) | (1,806,616) |
| Other comprehensive income: | | | | | | |
| Foreign exchange on translation of operations | - | 32,315 | - | - | - | 32,315 |
| Total comprehensive loss for the half year | - | 32,315 | - | - | (1,806,616) | (1,774,301) |
| Transactions with owners in their capacity as owners: | | | | | | |
| Equity issues | - | - | - | - | - | - |
| Equity issue expenses | - | - | - | - | - | - |
| Share based payments | - | - | - | - | - | |
| **Balance at 30 June 2023** | **26,435,332** | **86,353** | **1,377,561** | **2,707,269** | **(13,651,535)** | **16,954,980** |

| 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 half year | - | - | - | - | (2,893,633) | (2,883,633) |
| Other comprehensive income: | | | | | | |
| Foreign exchange on translation of operations | - | 185,952 | - | - | - | 185,952 |
| Total comprehensive loss for the half year | - | 185,952 | - | - | (2,893,633) | (2,707,681) |
| Transactions with owners in their capacity as owners: | | | | | | |
| Equity issues | - | - | - | - | - | - |
| Equity issue expenses | (4,431) | - | - | - | - | (4,431) |
| Share based payments | - | - | - | 2,486,679 | - | 2,486,679 |
| **Balance at 30 June 2022** | **26,435,332** | **106,509** | **1,377,561** | **2,486,679** | **(8,721,807)** | **21,684,274** |

The accompanying notes form part of these financial statements.

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| | Note | Consolidated Entity 30 June 2023 $ | Consolidated Entity 30 June 2022 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | **3,846** | 6,133 |
| Payments to suppliers and employees | | **(1,626,644)** | (716,857) |
| Interest received | | **31,046** | 1,691 |
| Interest paid | | **(52)** | - |
| Net cash (used in) operating activities | | **(1,591,804)** | (709,033) |
| **Cash flows from investing activities** | | | |
| Payment for plant and equipment | | **(2,504)** | (4,431) |
| Exploration, evaluation and development expenditure (including license acquisition costs) | | **(917,259)** | (4,051,662) |
| Exploration, evaluation and development expenditure (expensed) | | **(498,481)** | - |
| Net cash (used in) investing activities | | **(1,418,244)** | (4,056,093) |
| **Cash flows from financing activities** | | | |
| Payment for costs of equity issues | | **-** | (4,431) |
| Net cash (used in) financing activities | | **-** | (4,431) |
| Net (decrease) in cash held | | **(3,010,048)** | (4,769,557) |
| Cash and cash equivalents at beginning of the period | | **6,824,205** | 15,632,345 |
| Foreign exchange effect on cash and cash equivalents | | **10,970** | (100,795) |
| Cash and cash equivalents at period end | 5 | **3,825,127** | 10,761,993 |

The accompanying notes form part of these financial statements.

## 1. *Corporate information*

This half year report covers Blue Star Helium Limited and the entities it controlled at the end of, or during, the half-year ended 30 June 2023 (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 8 September 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*

<u>a. Basis of preparation</u>
These general purpose financial statements for the interim half-year reporting period ended 30 June 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2022 and any public announcements made by the Company during the interim 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 and corresponding interim reporting period, except for the policies stated below.

<u>b. Going concern</u>
For the half year ended 30 June 2023 the consolidated entity incurred a total comprehensive loss of $1,774,303 (30 June 2022: total comprehensive loss of $2,707,681) and had working capital of $3,486,590 (31 December 2022: $6,118,654). 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 $3,825,127 (31 December 2022: $6,824,205). 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 30 June 2023 half 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. Exploration and evaluation assets

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:

- 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
- 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. 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).

**2. *Accounting policies (continued)***

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).

d. 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.

**New and Amended Accounting Policies Adopted by the Group**

AASB 2020-3: *Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments*

The Consolidated Entity adopted AASB 2020-3 which makes some small amendments to a number of standards including the following: AASB 1, AASB 3, AASB 9, AASB 116, AASB 137 and AASB 141. The adoption of the amendment did not have a material impact on the financial statements.

AASB 2021-7a: *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*

AASB 2020-7a makes various editorial corrections to a number of standards effective for reporting periods beginning on or after 1 January 2022. The adoption of the amendment did not have a material impact on the financial statements

**New and Amended Accounting Policies Not Yet Adopted by the Entity**

*AASB 2020-1: Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current*

The amendment amends AASB 101 to clarify whether a liability should be presented as current or non-current. The Consolidated Entity plans on adopting the amendment for the reporting period ending 30 June 2024 along with the adoption of AASB 2022-6. The amendment is not expected to have a material impact on the financial statements once adopted.

*AASB 2022-6: Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants*

AASB 2022-6 amends AASB 101 to improve the information an entity provides in its financial statements about liabilities arising from loan arrangements for which the Consolidated Entity's right to defer settlement of those liabilities for at least 12 months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement. It also amends an example in Practice Statement 2 regarding assessing whether information about covenants is material for disclosure. The Consolidated Entity plans on adopting the amendment for the reporting period ending 30 June 2024. The amendment is not expected to have a material impact on the financial statements once adopted.

**2. *Accounting policies (continued)***

*AASB 2021-2: Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*
The amendment amends AASB 7, AASB 101, AASB 108, AASB 134 and AASB Practice Statement 2. These amendments arise from the issuance by the IASB of the following International Financial Reporting Standards: Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) and Definition of Accounting Estimates (Amendments to IAS 8). The Consolidated Entity plans on adopting the amendment for the reporting period ending 30 June 2024. The impact of the initial application is not yet known.

*AASB 2021-5: Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
The amendment amends the initial recognition exemption in AASB 112: *Income Taxes* such that it is not applicable to leases and decommissioning obligations – transactions for which companies recognise both an asset and liability and that give rise to equal taxable and deductible temporary differences. The Consolidated Entity plans on adopting the amendment for the reporting period ending 30 June 2024. The impact of the initial application is not yet known.

AASB 2021-7b & c: *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*
AASB 2021-7b makes various editorial corrections to AASB 17 *Insurance Contracts* which applies to annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. AASB 2021-7c defers the mandatory effective date (application date) of amendments to AASB 10 and AASB 128 that were originally made in AASB 2014-10: *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2025 instead of 1 January 2018. The Consolidated Entity plans on adopting the amendments for the reporting periods ending 30 June 2024 and 30 June 2026. The impact of initial application is not yet known.

AASB 2022-7: *Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards*
AASB 2022-7 makes editorial corrections to the following standards: AASB 7, AASB 116, AASB 124, AASB 128, AASB 134 and AASB as well as to AASB Practice Statement 2. It also formally repeals superseded and redundant Australian Account Standards as set out in Schedules 1 and 2 to the Standard. The Consolidated Entity plans on adopting the amendments for the reporting period ending 30 June 2024. The amendment is not expected to have a material impact on the financial statements once adopted.

| | Consolidated Entity 30 June 2023 $ | Consolidated Entity 30 June 2022 $ |
|---|---|---|
| **3. *Revenue and other income*** | | |
| Sale of product | **3,846** | 6,133 |
| Interest income | **31,046** | 1,691 |
| | **34,892** | 7,824 |
| **4. *Cost of goods sold*** | | |
| Cost of sales: other production costs refund | **8,886** | - |
| | **8,886** | - |

| | Consolidated Entity 30 June 2023 $ | Consolidated Entity 31 December 2022 $ |
|---|---|---|
| **5. *Cash and cash equivalents*** | | |
| Cash at bank and on hand | **3,825,127** | 6,824,205 |
| | **3,825,127** | 6,824,205 |
| **6. *Trade and other receivables*** | | |
| GST refunds | **21,206** | 25,855 |
| | **21,206** | 25,855 |

There are no receivables that are past due.

| | Consolidated Entity 30 June 2023 $ | Consolidated Entity 31 December 2022 $ |
|---|---|---|
| **7. *Other assets*** | | |
| Current | | |
| Prepaid expenses | **118,144** | 140,971 |
| | **118,144** | 140,971 |
| Non-Current | | |
| Bonds | **145,757** | 143,365 |
| | **145,757** | 143,365 |
| **8. *Exploration and evaluation assets*** | | |
| Capitalised expenditure | | |
| - At cost | **13,532,721** | 13,159,073 |
| - Accumulated amortisation and impairment | **-** | - |
| - Exchange difference translation | **(213,907)** | (699,356) |
| | **13,318,814** | 12,459,717 |
| Balance at beginning of period | **12,459,717** | 6,768,833 |
| Exploration and evaluation expenditure incurred during the period | **1,474,386** | 7,961,093 |
| Write-off of exploration and evaluation assets | **(401,382)** | (1,570,853) |
| Exchange difference translation | **(213,907)** | (699,356) |
| Balance at end of period | **13,318,814** | 12,459,717 |
| **9. *Trade and other payables*** | | |
| Trade creditors and other accruals | **257,732** | 643,650 |
| | **257,732** | 643,650 |

| | Consolidated Entity 30 June 2023 $ | Consolidated Entity 31 December 2022 $ |
|---|---|---|
| **10. *Provisions*** | | |
| Current | | |
| Employee benefits | **139,092** | 94,885 |
| Restoration | **81,063** | 133,842 |
| | **220,155** | 228,727 |
| Non-Current | | |
| Employee benefits | **7,875** | 5,665 |
| | **7,875** | 5,665 |

| | Consolidated Entity 30 June 2023 No. | $ | Consolidated Entity 31 December 2022 No. | $ |
|---|---|---|---|---|
| **11. *Contributed equity*** | | | | |
| Balance at beginning of year | **1,586,170,058** | **26,435,332** | 1,586,170,058 | 26,439,763 |
| Share issue costs | **-** | **-** | - | (4,431) |
| Balance at end of period | **1,586,170,058** | **26,435,332** | 1,586,170,058 | 26,435,332 |

| | Consolidated Entity 30 June 2023 $ | Consolidated Entity 31 December 2022 $ |
|---|---|---|
| **12. *Reserves*** | | |
| Foreign currency translation reserve | | |
| Balance at beginning of period | **54,038** | (79,443) |
| Foreign exchange on translation of operations | **32,315** | 133,481 |
| Balance at end of period | **86,353** | 54,038 |
| Options reserve | | |
| Balance at beginning of period | **1,377,561** | 1,377,561 |
| Options granted | **-** | - |
| Balance at end of period | **1,377,561** | 1,377,561 |
| Share based payments reserve | | |
| Balance at beginning of period | **2,707,269** | - |
| Performance rights granted[1] | **-** | 2,707,269 |
| Balance at end of period | **2,707,269** | 2,707,269 |
| Total reserves | **4,171,183** | 4,138,868 |

[1] 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.

## 12. *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 | 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<br>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<br>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<br>Tranche 4: vest and be convertible upon the Company making a Final Investment Decision (FID) in relation to the development of a facility | 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<br>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<br>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<br>Tranche 4: vest and be convertible upon the Company making a Final Investment Decision (FID) in relation to the development of a facility | 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<br>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<br>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<br>Tranche 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 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 |

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 |

| | Consolidated Entity 30 June 2023 No. | Consolidated Entity 31 December 2022 No. |
|---|---|---|
| **12. *Reserves (continued)*** | | |
| Unlisted options | | |
| Balance at beginning of period | **34,389,452** | 34,389,452 |
| Options granted | **-** | - |
| Options converted | **-** | - |
| Options expired | **-** | - |
| Balance at end of period | **34,389,452** | 34,389,452 |

### 13. *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 and NGL's produced in the USA. During the interim half-year reporting periods ended 30 June 2023 and 30 June 2022 external sales of gas and NGL's were made to customers solely located in the USA.

| | US | Corporate | Total |
|---|---|---|---|
| **30 June 2023** | | | |
| Segment revenue | 3,846 | 31,046 | **34,892** |
| Segment assets | 13,488,767 | 3,951,975 | **17,440,742** |
| Segment liabilities | (244,237) | (241,525) | **(485,762)** |
| **31 December 2022** | | | |
| Segment assets | 12,889,870 | 6,717,453 | **19,607,323** |
| Segment liabilities | (601,546) | (276,496) | **(878,042)** |
| **30 June 2022** | | | |
| Segment revenue | 6,133 | 1,691 | **7,824** |

### 14. *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 30 June 2023 $ | Consolidated Entity 31 December 2022 $ |
|---|---|---|

### 15. *Commitments and contingencies*

The Consolidated Entity is planning to undertake a drilling programme later this year but as at 30 June 2023 it is not formally committed. The commitments relating to operating and exploration expenditure are as follows:

| | | |
|---|---|---|
| < 1 year | **472,547** | 392,844 |
| 1 – 5 years | **1,767,520** | 846,629 |
| > 5 years | **1,182,457** | 5,247 |
| | **3,422,524** | 1,244,720 |

The helium recovery plant lease agreement executed 30 June 2023 is expected to commence during the fourth quarter of 2023 for an initial term of 3 years with the right thereafter to cancel upon 90 days' notice. There is a monthly lease payment which will be indexed annually in line with inflation.

a. Contingent assets

There are no contingent assets as at 30 June 2023.

b. Contingent liabilities

There are no contingent liabilities as at 30 June 2023.

### 16. *Interests in controlled entities*

| Company Name | Place of Incorporation | 30 June 2023 % Ownership | 31 December 2022 % Ownership |
|---|---|---|---|
| Controlled by Blue Star Helium Limited: | | | |
| Santa Energy Pty Ltd | Australia | 100% | 100% |
| BNL (USA Helium) Pty Ltd | Australia | 100% | 100% |
| Controlled by Santa Energy Pty Ltd: | | | |
| Antares Energy Company[2] | USA | 0% | 100% |
| Controlled by BNL (USA Helium) Pty Ltd: | | | |
| BNL (Enterprise) Inc | USA | 100% | 100% |
| Las Animas Leasing Inc | USA | 100% | 100% |

[2] Antares Energy Company was dissolved on 26 May 2023.

## 17. *Related party transactions*

There were no transactions with related parties during the half year ended 30 June 2023 other than the compensation to key management personnel.

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 30 June 2023 and of its performance for the financial half year ended on that date; and

- 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 directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

______________________

Ross Warner
Executive Chairman

8 September 2023

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

## Report on the Half-Year Financial Report

### *Conclusion*

We have reviewed the half-year financial report of Blue Star Helium Limited, which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Blue Star Helium Limited does not comply with the *Corporations Act 2001* including:

(a) giving a true and fair view of Blue Star Helium Limited's financial position as at 30 June 2023 and of its performance for the half-year ended on that date; and

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

### *Basis for Conclusion*

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the consolidated entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* has been given to the directors of the Company on 8 September 2023

### *Responsibility of the Directors for the Financial Report*

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

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***Auditor's Responsibility for the Review of the Financial Report***

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 30 June 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

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

Martin Michalik

**Martin Michalik**
Director

West Perth, Western Australia
8 September 2023