



2020 ANNUAL REPORT

**BLUE STAR HELIUM LIMITED AND CONTROLLED ENTITIES (formerly Big
Star Energy Limited)**

ABN 75 009 230 835

**ANNUAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2020**

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Energy Limited)**

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CONTENTS

| | Page No. |
|---|----------|
| Directors' Report | 1 |
| Corporate Governance | 16 |
| Auditor's Independence Declaration | 17 |
| Consolidated Statement of Profit or Loss & Other Comprehensive Income | 18 |
| Consolidated Statement of Financial Position | 19 |
| Consolidated Statement of Changes in Equity | 20 |
| Consolidated Statement of Cash Flows | 21 |
| Notes to the Financial Statements | 22 |
| Directors' Declaration | 49 |
| Independent Audit Report | 50 |
| Shareholder Information | 54 |
| List of Interests | 57 |

COMPANY DIRECTORY

DIRECTORS:

Ross Warner
Joanne Kendrick
Trent Spry

AUDITORS:

Stantons International Audit & Consulting Pty
Ltd
Level 2, 1 Walker Avenue
Perth, WA, 6005

COMPANY SECRETARY

Amanda Wilton-Heald

BANKERS:

Westpac Banking Corporation
Level 4, Brookfield Place, Tower Two
12 St Georges Terrace
Perth WA 6000

REGISTERED OFFICE:

Level 11, 216 St Georges Terrace
Perth WA 6000
Telephone: + 61 (8) 9481 0389

SHARE REGISTRY:

Automic Pty Ltd
Level 5
126 Phillip Street
Sydney, NSW, 2000
Telephone: + 61 (0) 2 9698 5414
Facsimile: + 61 (0) 2 8583 3040

SOLICITORS:

Steinepreis Paganin
Level 4
16 Milligan Street
Perth WA 6000
Telephone: + 61 (0) 8 9321 4000

AUSTRALIAN COMPANY NUMBER:

ACN 009 230 835

Email: info@bluestarhelium.com
Website: www.bluestarhelium.com

AUSTRALIAN BUSINESS NUMBER:

ABN 75 009 230 835

ASX CODE:

BNL

DIRECTORS' REPORT

The Directors of Blue Star Helium Limited ("the Company") (formerly Big Star Energy Limited) present the Directors' report and the financial report of Blue Star Helium Limited and the entities it controlled ("Consolidated Entity") at the end of, or during the year ended 31 December 2020.

DIRECTORS AND COMPANY SECRETARY

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows.

| Name | Particulars |
|---------------------|---|
| Ross Warner | Executive Director & Chairman – Appointed 23 March 2018 |
| Joanne Kendrick | Managing Director – Appointed 23 March 2018 |
| Michael Pollak | Non-Executive Director – Appointed 23 March 2018 (Resigned 25 March 2020) |
| Trent Spry | Executive Director – Appointed 29 April 2019 |
| Andrew Whitten | Company Secretary – Appointed 23 March 2018 (Resigned 4 September 2020) |
| Amanda Wilton-Heald | Company Secretary – Appointed 4 September 2020 |

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

Ross Warner

Executive Director & Chairman (Appointed 23 March 2018)

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).

Other Current Directorships

Advance Energy Plc (LON: ADV)

Former Directorships in the Last Three Years

None

Special Responsibilities

Chairman

Interests in Shares and Options

17,000,000 ordinary fully paid shares

22,000,000 unlisted options exercisable at \$0.012 per option, expires on 31 December 2021

DIRECTORS' REPORT (CONT.)

Joanne Kendrick

Managing Director (Appointed 23 March 2018)

Joanne has been directly responsible for managing production operations, exploration drilling and development projects, capital raisings, asset transactions and joint venture interests throughout her 25-year career in upstream oil, gas and helium. She has served in a variety of executive, operational and technical roles with Woodside Petroleum, Newfield Exploration, Gulf Canada, including 7 years as Deputy Managing Director at ASX-listed Nido Petroleum. She holds a Bachelor of Chemical Engineering from the University of Adelaide and specialises in Petroleum/Reservoir Engineering. Joanne is a member of the Australian Institute of Company Directors (AICD).

Other Current Directorships

Buru Energy Limited (ASX: BRU)

Former Directorships in the Last Three Years

None

Special Responsibilities

Managing Director

Interests in Shares and Options

15,000,000 ordinary fully paid shares

22,000,000 unlisted options exercisable at \$0.012 per option, expires on 31 December 2021

Trent Spry

Executive Director (Appointed 29 April 2019)

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.

Other Current Directorships

None

Former Directorships in the Last Three Years

None

Special Responsibilities

Executive Director

Interests in Shares and Options

3,000,000 ordinary fully paid shares

22,000,000 unlisted options exercisable at \$0.012 per option, expires on 31 December 2021

DIRECTORS' REPORT (CONT.)

Michael Pollak

Non-Executive Director (Appointed 23 March 2018 and resigned 25 March 2020)

Michael Pollak holds a Bachelor of Commerce is a chartered accountant and has an MBA in strategy from the Australian Graduate School of Management. Michael commenced his career at PricewaterhouseCoopers over 20 years ago. Michael has gained valuable experience in both Sydney and London in general management, audit, insolvency, corporate advisory and strategy across a wide range of industries including financial services, professional services, retail, mining, technology and manufacturing.

Michael is currently a director of MOQ Limited and was previously a director of various ASX listed entities including UCW Limited, Prospect Resources Limited, Metalicity Limited, Rhipe Limited, and Janison Education Group Limited, being companies that he previously recapitalised. Michael was also involved in the recapitalisation of various other companies listed on the ASX (via a DOCA and Creditors Trust).

Other Current Directorships

MOQ Limited (ASX: MOQ) (Non-executive director)

Former Directorships in the Last Three Years

None

Special Responsibilities

None

COMPANY SECRETARY

Amanda Wilton-Heald (Appointed 4 September 2020)

Amanda 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.

Andrew Whitten (Appointed 23 March 2018, resigned 4 September 2020)

Andrew is a Solicitor Director of Automic Legal, a division of the Automic Group, where he specialises in corporate finance and securities law. Andrew has been involved in a comprehensive range of corporate and investment transactions including numerous initial public offerings on the ASX and NSX, corporate reconstructions, reverse mergers and takeovers.

The above-named directors and company secretary held office during and since the financial year, except as otherwise indicated.

DIRECTORS' REPORT (CONT.)

PRINCIPAL ACTIVITIES

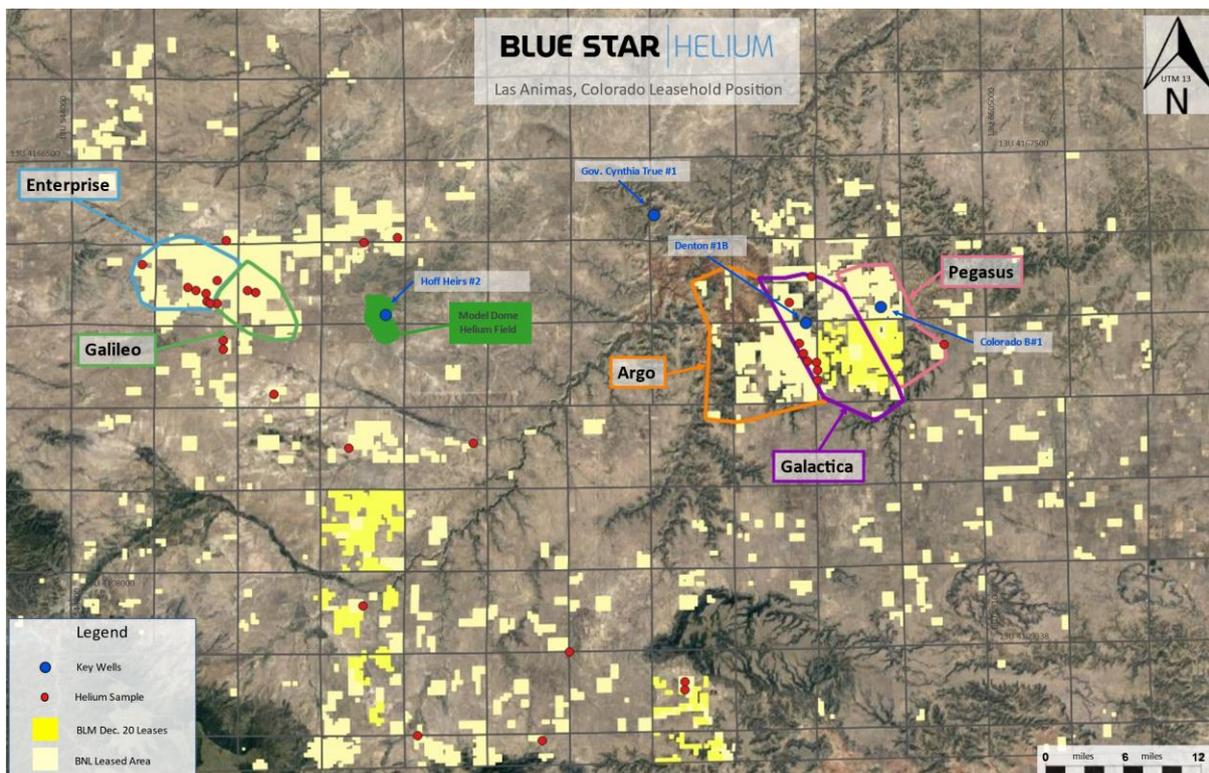
The principal activity of the Consolidated Entity during the year ended 31 December 2020 was helium exploration. The Company is headquartered in Australia with operations and exploration in North America.

OPERATING REVIEW

Blue Star's strategy is to provide its shareholders with exposure to multiple high-value helium projects in North America.

Helium Exploration – Colorado, USA

The total land position of the Company and its subsidiaries in Las Animas, Colorado at the end of the year totalled 215,000 gross (160,000 net) acres (inclusive of the leases won in the December BLM auction) as shown in the map below. 123,000 gross (110,000) net acres were acquired during the year, more than doubling and tripling the gross and net positions respectively. The Company or its subsidiaries owns 100% of each mineral lease held by the group in Las Animas County.



32,848 gross (32,848 net) acres of the total land position was won at the Federal Bureau of Land Management (BLM) land auction in December. The BLM has not yet issued these leases to the Company. At this stage, after discussions between the BLM and the Company's lawyers, the Company believes that these leases will be issued by the BLM in due course. The Company will evaluate any addition to the prospective helium resources in its portfolio (see below) when the leases are received.

Subsequent to the end of the year a further 15,000 gross (9,000 net) acres were leased. Blue Star plans to further add to its gross and net position over its preferred prospects in Las Animas County.

BLUE STAR HELIUM LIMITED (formerly Big Star Energy Limited)

Blue Star now has high-net contiguous leasing over 7 prospects, including Enterprise, Galileo, Pegasus, Galactica, Argo, Voyager and Prometheus. In mid-November, the Company announced a multi-well drilling campaign of a minimum of three wells and up to five wells to test several prospects in its portfolio in addition to Enterprise. This multi-well drilling campaign will maximise the prospective resources tested in the Company's maiden campaign.

During the year, the Company staked the Enterprise well location in preparation for drilling and entered access agreements with the relevant surface owners. The US team has also completed a further site visit to evaluate a potential follow-up location at Enterprise and assess potential well locations at the Galactica, Pegasus, Voyager, and Galileo prospects. A surveyor's site visit is planned to stake additional well locations.

Engineering estimates have confirmed dry hole drilling costs of US\$300k with a further US\$100k required to complete the well as a producer upon success.

Subsequent to the end of the year, on 15 January 2021, new well permitting rules and procedures came into effect in Colorado. The Colorado Oil and Gas Conservation Commission (COGCC) requires all existing and new drilling applications to be submitted as new applications under the new rules. The Company's Enterprise well is simple from a regulatory point of view because it is technically simple being shallow and vertical, low impact due to its rural location and does not have the issues associated with hydrocarbon production. The directors believe that the new rules and procedures have not changed the prospects of the Company obtaining drilling permits and we expect they will be granted in due course. However, teething problems associated with COGCC's implementation of the new rules have caused delays in the permitting process for all participants including Blue Star. These delays and associated compliance costs are not expected to materially adversely impact the Company's business.

Prospective Helium Resources Update

During the year the Company announced initial prospective helium resources at the Enterprise and Galileo prospects followed by a revision due to significant additional leasing over the prospects. Subsequent to the end of the year, prospective helium resources at the Argo, Galactica and Pegasus prospects were assessed. Blue Star's total assessed prospective helium resources are 9.6 billion cubic feet across five of its prospects as shown in the table below.

| Net Recoverable Helium (mmcf) | 1U (P90) | 2U (P50) | 3U (P10) |
|---|--------------|--------------|---------------|
| Enterprise Prospect | 372 | 2,204 | 5,494 |
| Galileo Prospect | 495 | 1,292 | 2,329 |
| Galactica Prospect | 1,295 | 2,321 | 3,940 |
| Pegasus Prospect | 540 | 1,727 | 3,320 |
| Argo Prospect | 276 | 2,108 | 3,057 |
| Total BNL Net Recoverable Helium | 2,978 | 9,653 | 18,141 |

Note: Numbers may not add due to rounding

Note 1: The estimated quantities of helium that may potentially be recovered by the application of a future development project relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable helium.

Note 2: The resource estimates have been prepared using the probabilistic method and are presented on an unrisks basis. In a probabilistic resource distribution, 1U (P90), 2U (P50), 3U (P10) estimates represent the 90% probability, 50% probability and 10% probability respectively that the quantity recovered will equal or exceed the estimate assuming a success case in the prospect. Resource totals have been arithmetically added.

Note 3: The estimates of prospective resources in respect of Enterprise and Galileo prospects are reported as at an evaluation date of 1 November 2020 and are more fully described in the Company's announcement of 16 November 2020. The estimates of prospective resources in respect of Galactica, Pegasus and Argo prospects are reported as at an evaluation date of 1 February 2021 and are more fully described in the Company's announcement of 8 February 2021. The Company is not aware of any new information or data that materially affects the information included in that announcement and all the material assumptions and technical parameters underpinning the estimates in that announcement continue to apply and have not materially changed.

Proven Play Elements

The play elements of helium charge, high quality reservoir and the presence of a good top seal have been proven to extend across the prospects as outlined below.

1. Helium Charge

Helium charge is regionally proven as demonstrated by the Model Dome field analogue. Gas analysis for eight wells in the Model Dome area showed an average of 8% helium content.

There are additional wells in the area that have helium tests which show that the helium source and migration routes are widespread. For example, the Govt Cynthia True #1 well flow tested 8.8% helium. This well is situated on an interpreted independent fault bounded structure on the northern nose of the greater structure on which the Galactica and Pegasus prospects are also located approximately 12 miles away. (Note: Blue Star does not have an economic interest in the Govt Cynthia True #1 well or leases associated with the well. Like the historic Model Dome field this well currently lies under Federal protected lands (Pinon Canyon Maneuver site) and is not available for leasing.)

Helium soil gas survey analyses across the region performed by Blue Star also support the presence of widespread helium source and migration (charge) (see above map).

2. Reservoir Presence

Petrophysical analysis commissioned by the Company has confirmed the presence and reservoir quality of the Lyons Formation sandstone to be consistent across the play fairway and as good as seen at the Model Dome analogue. The analogue Model Dome Field contained the Hoff Heirs #2 well which had a tested production rate from the Lyons Formation of 500 mcf raw gas per day and the Govt Cynthia True #1 well also flowed gas from the Lyons Formation.

3. Top Seal Presence

The top seal is confirmed at the Model Dome analogue and by the gas accumulation at the Govt Cynthia True #1 well. Petrophysical analysis suggests that the top seal across all prospects is of good quality and generally improves regionally to the east of Model Dome across the prospects.

Historic Well Interpretation

Petrophysical analysis has highlighted two wells with significant interpreted gas columns associated within the Galactica and Pegasus prospects (Denton B#1 and Colorado #1B). The petrophysical interpretation is subject to significant uncertainty as it relies on old, digitized data from historic wells. Nevertheless, the Company's petrophysical analysis of Denton B#1 and Colorado #1B (at the Galactica and Pegasus prospects respectively) interprets a significant gas column has been trapped at both locations with sufficient porosity and gas saturations to flow gas.

Neither well was tested for gas or helium and there is no available data either supporting or disproving the presence of helium.

BLUE STAR HELIUM LIMITED (formerly Big Star Energy Limited)

Although there is no analysis as to the composition of the gas, these prospects are within the Lyons Helium Play Fairway proven by the Model Dome helium field and on trend with the Govt Cynthia True #1 well which also tested helium.

Both the Colorado #1B and the Denton B#1 wells have been plugged and abandoned. Whilst the Colorado #1B well is located within one of the Company's mineral leases, Blue Star does not have an economic interest in either of the wells.

Prospect Specific Assessment

Within this proven play fairway, each of the Enterprise, Galileo, Argo, Pegasus and Galactica prospects are subject to independent prospect risk. Internal geologic modelling is based on reprocessed gravity and magnetic data, incorporated offset well data and surface and subsurface horizon and fault mapping. Trap definition and risk is highly interpretive, there is generally sparse well control and no seismic data across the prospects. The uncertainty in potential closure area for each prospect has been captured in the range of prospective resource.

The interpreted gas column in Denton B#1 and Colorado #1B demonstrate that both the top seal and trapping mechanism are working for the Galactica and Pegasus prospects (respectively).

Given the proven play elements and gas interpretation in key wells the geological chance of success is assessed by the Company to be moderate to high for exploration targets with Galactica and Pegasus having lower risk by way of having good well control with petrophysical analysis and interpreted gas columns.

The Company believes that, based on the work it has done to date, the chance of development, upon a discovery, is strong. Modular, skid mounted processing units located proximal to any discovery would concentrate the raw gas stream to sale-quality gaseous helium. The concentrated helium may then be loaded at site onto an offtaker's tube trailer for transport to a liquefaction plant or end-user. Las Animas county is well located within trucking distance to established liquefaction plants with significant available capacity.

New Ventures

The Company is focussed on delivering its drilling program in Las Animas, Colorado. New Ventures are not being proactively pursued.

Big Star Project – Texas, USA

During the year, production continued from the Simmons well. As at the report date, this asset is held for sale.

The Stuart and Cline wells did not produce in the year and remain shut-in.

The Esmond well did not produce during the year. The Company plugged and abandoned the well in December 2020 and plans to reclaim the wellsite and associated surface disturbances during 2021.

Corporate

During the year, the Company raised \$8.30 million (before brokerage costs) from the issue of 401.7 million shares and \$0.98 million from the conversion of 97.6 million options.

The Company changed its name to Blue Star Helium Limited to better reflect its helium focus and strategy.

Under its Management Incentive Plan, the Company issued 22,000,000 million options exercisable at \$0.012 and expiring on 31 December 2021 to each of its Directors for a total of 66,000,000 options.

BLUE STAR HELIUM LIMITED (formerly Big Star Energy Limited)

The Company's broker, Pamplona Capital Pty Ltd was granted 20,000,000 options to subscribe for ordinary shares in the Company at an exercise price of \$0.012. The options expire on 31 December 2021.

The Consolidated Entity's cash at the end of the 2020 year was approximately \$4.91 million.

Coronavirus Statement

During the year, the Coronavirus (COVID-19) has had a significant impact on global economies and many industries. 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 adapting to more isolated working conditions. The Company does not believe that its operations (including permitting and planning for field activity) will be materially impacted since, based on discussions with the Company's permitting group, in the US oil and gas related operations are considered essential services and are excluded from many of the imposed COVID-19 restrictions. However, the Company notes that various staff of the Colorado Oil and Gas Conservation Commission (COGCC) have been working from home and this may have impacted the timing of interactions with COGCC. The Company will actively monitor the situation as it develops including assessing any impact it may have on the Company's operations.

SIGNIFICANT EVENTS AFTER BALANCE DATE

Subsequent to the end of the year

- a further 15,000 gross (9,000 net) acres were acquired.
- The COGCC's new rules and regulations for the permitting of oil and gas (including helium) wells in Colorado came into effect on 15 January 2021. COGCC requires all existing and new drilling applications to be submitted as new applications under the new rules. The directors believe that the new rules and procedures have not changed the prospects of the Company obtaining drilling permits and we expect they will be granted in due course. However, teething problems associated with COGCC's implementation of the new rules have caused delays in the permitting process for all participants including Blue Star. These delays and associated compliance costs are not expected to materially adversely impact the Company's business.
- US President Biden issued executive order 14008 entitled "Tackling the Climate Crisis at Home and Abroad" on 27 January 2021 (**Executive Order**). The Executive Order requires the Secretary of the Interior to "pause new oil and natural gas leases" on Federal land whilst a further review is undertaken of Federal oil and gas leasing and permitting practices by the Secretary. The Secretary of the Interior issued order number 3395 entitled "Temporary Suspension of Delegated Authority" on 20 January 2021 (**Secretarial Order**). The Secretarial Order withdraws authority from Department Bureaus and Officials "to issue any onshore or offshore fossil fuel authorisation" including leases and permits to drill on Federal lands for a period of 60 days. Authority has not been completely withdrawn but delegated to various senior positions within the US Department of the Interior. The Secretarial Order expired on 21 March 2021 and we have been advised that BLM staff have been instructed to resume processing oil and gas drilling permits. The Orders are part of the new administration's initial policy response to address the role of fossil fuels in climate change. Helium is not a fossil fuel and, therefore, these Orders are not expected to adversely impact the Company in the longer term.
- The Company has resolved to dissolve BNL (Percy Creek) and filing has been made to the regulator to that effect in March 2021.

DIRECTORS' REPORT (CONT.)

SIGNIFICANT CHANGES TO STATE OF AFFAIRS

There have been no further significant changes to the Company's state of affairs, other than those disclosed in the Operations Review and Significant Events After Balance Date.

FINANCIAL RESULTS

Blue Star Helium Limited (formerly Big Star Energy Limited) has reported a total comprehensive loss for the year ended 31 December 2020 of \$1,661,662 (2019: loss of \$914,315).

DIVIDEND

No dividends have been paid or declared since the end of the financial year, or to the date of this report.

LIKELY DEVELOPMENTS AND RESULTS

The Company continues to actively pursue upstream helium exploration in the USA in accordance with its stated strategy.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Consolidated Entity is a party to various exploration and development leases in the USA. In most cases, these contracts and licences specify the environmental regulations applicable to oil and gas operations in the respective jurisdictions. There have been no significant known breaches of the environmental obligations of the Consolidated Entity's leases.

DIRECTOR'S MEETINGS

During the financial year, the meeting of directors held were:

| Name of directors | Directors Meetings | |
|-------------------|--------------------|---------------|
| | Meetings Held | In attendance |
| Ross Warner | 14 | 14 |
| Joanne Kendrick | 14 | 14 |
| Michael Pollak | 3 | 3 |
| Trent Spry | 14 | 14 |

All other business was conducted via circular resolution.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The independence declaration as required under section 307C of the Corporations Act 2001 received from the auditor of Blue Star Helium Limited (formerly Big Star Energy Limited) is set out on page 17 and forms part of this Directors' report for the year ended 31 December 2020. Total fees paid or payable to the Company's auditors Stantons International Audit & Consulting Pty Ltd for non-audit services provided to the Company during the year ended 31 December 2020 are \$Nil (2019: \$Nil).

DIRECTORS' REPORT (CONT.)

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 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.

OPTIONS

At the date of this report, the unissued ordinary shares of Blue Star Helium Limited (formerly Big Star Energy Limited) under option are as follows:

- 85,250,000 unlisted options approved by shareholders on 24 April 2020, ratified and approved by shareholders on 30 July 2020 issued on 1 May 2020 and 7 August 2020, exercisable at \$0.012 per option, expiring on 31 December 2021.

Option holders do not have any rights to participate in any issues of shares or other interests of the Company or any other entity. For details of options issued to the directors, refer to the remuneration report.

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 the Company awaits a final decision on relief. The Company does not expect the Court to impose a pecuniary penalty, damages or an account of profits on it for the reasons set out below.

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;
2. ASIC is not entitled to seek to enforce any judgment or order against the Company, without further leave of the Court;
3. 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
4. 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).

DIRECTORS' REPORT (CONT.)

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.

Fees and payments to directors:

1. are to reflect the demands which are made on, and the responsibilities of, the directors; and
2. 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

| | |
|-----------------|---|
| Ross Warner | Executive Director & Chairman – Appointed 23 March 2018 |
| Joanne Kendrick | Managing Director – Appointed 23 March 2018 |
| Michael Pollak | Non-Executive Director – Appointed 23 March 2018 (Resigned 25 March 2020) |
| Trent Spry | Executive Director – Appointed 29 April 2019 |

DIRECTORS' REPORT (CONT.)

REMUNERATION REPORT (AUDITED) (CONT.)

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 to 31 Dec 2020 | Short-Term | | | Share Based Payment (i) | Long-Term | Post Employ- ment | Total | Total Perform- ance Related |
|------------------------|------------------|----------------|----------------------------------|----------------------------------|---------------------------|-------------------------|----------------|--------------------------------------|
| | Salary & Fees | Bonus | Non Moneta- ry Benefits | | Long- Service Leave | Super- annuation | | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Directors | | | | | | | | |
| Ross Warner(i) | 55,205 | 100,046 | - | 29,260 | - | 15,616 | 200,127 | 119,306 |
| Joanne Kendrick(i) | 60,000 | 110,000 | - | 29,260 | - | - | 199,260 | 139,260 |
| Michael Pollak | 27,397 | - | - | - | - | 2,603 | 30,000 | - |
| Trent Spry(i) | 60,000 | 136,500 | - | 29,260 | - | - | 225,760 | 165,760 |
| Total | 202,602 | 346,546 | - | 87,780 | - | 18,219 | 655,147 | 434,326 |

(i) 22,000,000 unlisted options exercisable at \$0.012 per option, expiring on 31 December 2021 were issued to each of Mr Warner, Ms Kendrick and Mr Spry (totalling 66,000,000) as approved by shareholders on 24 April 2020 under the management incentive plan on 1 May 2020.

| Year to 31 Dec 2019 | Short-Term | | | Share Based Payment (i) | Long-Term | Post Employ- ment | Total | Total Perform- ance Related |
|------------------------|------------------|---------------|----------------------------------|----------------------------------|---------------------------|-------------------------|----------------|--------------------------------------|
| | Salary & Fees | Bonus | Non Moneta- ry Benefits | | Long- Service Leave | Super- annuation | | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Directors | | | | | | | | |
| Ross Warner | 54,795 | 22,831 | - | - | - | 7,374 | 85,000 | 25,000 |
| Joanne Kendrick | 60,000 | 25,000 | - | - | - | - | 85,000 | 25,000 |
| Michael Pollak | 54,795 | - | - | - | - | 5,205 | 60,000 | - |
| Trent Spry(i) | 45,000 | 25,000 | - | 12,790 | - | - | 82,790 | 25,000 |
| Total | 214,590 | 72,831 | - | 12,790 | - | 12,579 | 312,790 | 75,000 |

(i) 16,875,000 unlisted options exercisable at \$0.01 per option, expiring on 30 June 2020 were issued upon Mr Spry's appointment as director on 29 April 2019 and ratified by shareholders on 29 July 2019.

DIRECTORS' REPORT (CONT.)

REMUNERATION REPORT (AUDITED) (CONT.)

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 there are no management personnel engaged by the Company other than the directors.

The directors entered into service agreements on the following terms:

- Base salary (including director's fees of \$60,000 per annum (including superannuation or similar contributions)).
- 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.

4. Shareholding and option holding of directors and other key management personnel (audited)

Share holdings of Key Management Personnel

| | Balance at 1 January | On exercise of options | Other changes during the year | On market purchase | Balance at 31 December |
|-----------------|-------------------------|---------------------------|--|-----------------------|----------------------------|
| 2020 | | | | | |
| Ross Warner | 15,000,000 | 2,000,000 | - | - | 17,000,000 |
| Joanne Kendrick | 15,000,000 | - | - | - | 15,000,000 |
| Michael Pollak | 26,000,000 | - | - | - | 26,000,000 ⁽ⁱⁱ⁾ |
| Trent Spry | 3,000,000 | - | - | - | 3,000,000 |
| Total | 59,000,000 | 2,000,000 | - | - | 61,000,000 |

(ii) Balance on resignation, 25 March 2020.

| | Balance at 1 January | On exercise of performance rights | Other changes during the year ⁽ⁱⁱⁱ⁾ | On market purchase | Balance at 31 December |
|-----------------|-------------------------|--|---|-----------------------|---------------------------|
| 2019 | | | | | |
| Ross Warner | 15,000,000 | - | - | - | 15,000,000 |
| Joanne Kendrick | 15,000,000 | - | - | - | 15,000,000 |
| Michael Pollak | 26,000,000 | - | - | - | 26,000,000 |
| Trent Spry | - | - | 3,000,000 | - | 3,000,000 |
| Total | 56,000,000 | - | 3,000,000 | - | 59,000,000 |

(iii) Shares acquired by director on 31 July 2019.

DIRECTORS' REPORT (CONT.)

REMUNERATION REPORT (AUDITED) (CONT.)

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

| | Balance at 1 January | On exercise of options | Other changes during the year ^(iv) | Option expiry | Balance at 31 December |
|-----------------|-------------------------|---------------------------|--|---------------------|---------------------------|
| 2020 | | | | | |
| Ross Warner | 16,875,000 | (2,000,000) | 22,000,000 | (14,875,000) | 22,000,000 |
| Joanne Kendrick | 16,875,000 | – | 22,000,000 | (16,875,000) | 22,000,000 |
| Michael Pollak | 12,500,000 | – | – | – | 12,500,000 ^(v) |
| Trent Spry | 16,875,000 | – | 22,000,000 | (16,875,000) | 22,000,000 |
| Total | 63,125,000 | (2,000,000) | 66,000,000 | (48,625,000) | 78,500,000 |

(iv) 22,000,000 unlisted options exercisable at \$0.012 per option, expiring on 31 December 2021 were issued to each of Mr Warner, Ms Kendrick and Mr Spry as approved by shareholders on 24 April 2020. The options are fully vested and were calculated at grant date using the Black Scholes model with a share price at grant date of \$0.006 cents per option. The fair value of the options was \$0.00133 per option at grant date.

(v) Balance on resignation, 25 March 2020.

| | Balance at 1 January | On exercise of performance rights | Other changes during the year (v) | On market purchase | Balance at 31 December |
|-----------------|-------------------------|--|---|-----------------------|---------------------------|
| 2019 | | | | | |
| Ross Warner | 16,875,000 | – | – | – | 16,875,000 |
| Joanne Kendrick | 16,875,000 | – | – | – | 16,875,000 |
| Michael Pollak | 12,500,000 | – | – | – | 12,500,000 |
| Trent Spry | – | – | 16,875,000 | – | 16,875,000 |
| Total | 46,250,000 | – | 16,875,000 | – | 63,125,000 |

(v) Options acquired by director on appointment on 29 April 2019 and ratified by shareholders on 29 July 2019. Each option gives the option holder the right to subscribe to one share for every option they own. Options will expire on 30 June 2020, exercisable at \$0.01 cents per option. The options are fully vested and were calculated at grant date using the Black Scholes model with a share price at grant date of \$0.006 cents per option. The fair value of the options was \$0.0008 per option at grant date.

End of Remuneration Report

DIRECTORS' REPORT (CONT.)

Signed in accordance with a resolution of the Directors.

A handwritten signature in blue ink, appearing to read 'Ross Warner', with a long horizontal flourish extending to the right.

Ross Warner

Chairman

31 March 2021

CORPORATE GOVERNANCE STATEMENT

Statement of Corporate Governance

The Board is committed to achieving and demonstrating the highest standards of corporate governance. Blue Star Helium Limited and its subsidiaries (formerly Big Star Energy) 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 (formerly Big Star Energy Limited) website at: <https://www.bluestarhelium.com/corporate/governance/>

31 March 2021

Board of Directors
Blue Star Helium Limited
Unit 6,
245 Churchill Avenue,
SUBIACO WA 6008

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 2020, 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



Martin Michalik
Director

Statement of Profit or Loss & Other Comprehensive Income

Blue Star Helium Limited and its Controlled Entities (formerly Big Star Energy Limited)

For the Year Ended 31 December 2020

| | Notes | Consolidated | |
|--|---------|------------------------------|------------------------------|
| | | 31 December 2020 \$ | 31 December 2019 \$ |
| Continuing operations | | | |
| Revenue | 3 | 5,635 | 10,793 |
| Cost of sales | 4(a) | (47,331) | (45,568) |
| Gross loss | | (41,696) | (34,775) |
| Other income | 3 | 10,318 | 51,922 |
| Other Expenses | 4(b) | (667,930) | (396,512) |
| Impairment of oil & gas assets | (10) | - | (35,124) |
| Impairment of exploration and evaluation assets | (12) | (8,335) | (149,498) |
| Rehabilitation provisions | | - | - |
| Employment expenses | 4(c) | (247,099) | (226,387) |
| Share based payment expense | 4(c),26 | (103,740) | (12,790) |
| Business development expenses | 4(b) | (64,696) | (98,044) |
| Legal expenses | 4(b) | (566,945) | (5,747) |
| Loss before income tax | | (1,690,123) | (906,955) |
| Income tax benefit | 5 | - | - |
| Loss from continuing operations | | (1,690,123) | (906,955) |
| Other comprehensive income | | | |
| Exchange differences on translation of foreign entities | | 28,461 | (7,360) |
| Other comprehensive profit/(loss) for the year net of tax | | 28,461 | (7,360) |
| Total comprehensive (loss) for the year | | (1,661,662) | (914,315) |
| (Loss)/Earnings per share (cents per share) | | | |
| <i>Loss from continuing operations:</i> | | | |
| Basic loss per share for the year | 6 | (0.19) | (0.21) |
| Diluted loss per share for the year | 6 | (0.19) | (0.21) |

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

Statement of Financial Position

Blue Star Helium Limited and its Controlled Entities (formerly Big Star Energy Limited)

As at 31 December 2020

| | Notes | Consolidated | |
|---|-------|---------------------------|---------------------------|
| | | 31 December 2020 \$ | 31 December 2019 \$ |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 7 | 4,909,336 | 1,138,089 |
| Trade and other receivables | 8 | 88,341 | 31,269 |
| Other assets | 9 | 15,910 | 55,684 |
| Held for sale asset –Oil & gas properties | 14 | 15,943 | 17,128 |
| Total current assets | | 5,029,530 | 1,242,170 |
| NON-CURRENT ASSETS | | | |
| Other assets | 9 | 32,459 | 35,684 |
| Property, Plant & Equipment | 11 | – | 1,456 |
| Exploration and evaluation assets | 12 | 3,982,025 | 778,559 |
| Oil & gas properties | 10 | – | – |
| Total non-current assets | | 4,014,484 | 815,699 |
| TOTAL ASSETS | | 9,044,014 | 2,057,869 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 13 | 342,263 | 516,872 |
| Liabilities associated with asset held for sale | 14 | 99,458 | 71,368 |
| Provisions | 15 | 70,112 | – |
| Total current liabilities | | 511,833 | 588,240 |
| NON-CURRENT LIABILITIES | | | |
| Provisions | 15 | 118,193 | 214,102 |
| Total non-current liabilities | | 118,193 | 214,102 |
| TOTAL LIABILITIES | | 630,026 | 802,342 |
| NET ASSETS | | 8,413,988 | 1,255,527 |
| EQUITY | | | |
| Contributed equity | 16 | 12,569,133 | 3,913,870 |
| Reserves | 17 | 277,246 | 83,925 |
| Accumulated Losses | | (4,432,391) | (2,742,268) |
| TOTAL SHAREHOLDERS FUNDS | | 8,413,988 | 1,255,527 |

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

Statement of Changes in Equity

Blue Star Helium Limited and its Controlled Entities (formerly Big Star Energy Limited)

For the Year Ended 31 December 2020

CONSOLIDATED

| | Ordinary Share Capital \$ | Accumulated Losses \$ | Foreign Currency Reserve \$ | Share Option Reserve \$ | Total \$ |
|--|------------------------------------|-----------------------------|--------------------------------------|----------------------------------|--------------------|
| Balance at 1 January 2020 | 3,913,870 | (2,742,268) | 57,660 | 26,265 | 1,255,527 |
| Loss for the year | - | (1,690,123) | - | - | (1,690,123) |
| Other comprehensive income | | | | | |
| Exchange differences on translation of foreign operations | - | - | 28,461 | - | 28,461 |
| Total comprehensive loss for the year | - | (1,690,123) | 28,461 | - | (1,661,662) |
| Transactions with owners in their capacity as owners: | | | | | |
| Issue of Capital and options | 9,280,372 | - | - | 164,860 | 9,445,232 |
| Costs of capital | (625,109) | - | - | - | (625,109) |
| Balance at 31 December 2020 | 12,569,133 | (4,432,391) | 86,121 | 191,125 | 8,413,988 |

CONSOLIDATED

| | Ordinary Share Capital \$ | Accumulated Losses \$ | Foreign Currency Reserve \$ | Share Option Reserve \$ | Total \$ |
|--|------------------------------------|-----------------------------|--------------------------------------|----------------------------------|------------------|
| Balance at 1 January 2019 | 1,882,418 | (1,835,313) | 65,020 | 1,875 | 114,000 |
| Loss for the year | - | (906,955) | - | - | (906,955) |
| Other comprehensive income | | | | | |
| Exchange differences on translation of foreign operations | - | - | (7,360) | - | (7,360) |
| Total comprehensive loss for the year | - | (906,955) | (7,360) | - | (914,315) |
| Transactions with owners in their capacity as owners: | | | | | |
| Issue of Capital and options | 2,160,486 | - | - | 24,390 | 2,184,876 |
| Costs of capital | (129,034) | - | - | - | (129,034) |
| Balance at 31 December 2019 | 3,913,870 | (2,742,268) | 57,660 | 26,265 | 1,255,527 |

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

Statement of Cash Flows

Blue Star Helium Limited and its Controlled Entities (formerly Big Star Energy Limited)

For the Year Ended 31 December 2020

| | Note | Consolidated | |
|---|------|---------------------------|---------------------------|
| | | 31 December 2020 \$ | 31 December 2019 \$ |
| Cash flows from operating activities | | | |
| Receipts from customers | | 5,635 | 62,315 |
| Payments to suppliers and employees | | (1,314,536) | (918,351) |
| Interest received | | 612 | 682 |
| Net cash (outflows) from operating activities | 7 | (1,308,289) | (855,354) |
| Cash flows from investing activities | | | |
| Payment for property, plant and equipment | | - | (2,495) |
| Payment to acquire tenements | | (3,122,775) | (512,769) |
| Payment of exploration costs | | (449,369) | (37,043) |
| Net cash (outflows) from investing activities | | (3,572,144) | (552,307) |
| Cash flows from financing activities | | | |
| Net Proceeds from share issue | | 9,280,372 | 2,160,486 |
| Costs related to issue of shares | | (564,990) | (126,027) |
| Overpaid monies to be refunded | | - | 1,000 |
| Net cash inflows from financing activities | | 8,715,382 | 2,035,459 |
| Net increase in cash and cash equivalents held | | 3,834,949 | 627,798 |
| Cash and cash equivalents at the beginning of the year | | 1,138,089 | 510,308 |
| Effects of exchange rate changes on cash | | (63,702) | (17) |
| Cash and cash equivalents at the end of the year | 7 | 4,909,336 | 1,138,089 |

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

For the Year Ended 31 December 2020

NOTE 1 BASIS OF PREPARATION

Blue Star Helium Limited (formerly Big Star Energy Limited) is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange and is a for profit entity. The address of the registered office is Level 11, 216 St Georges Terrace, Perth, WA, 6000 and the principal place of business is Unit 6, 245 Churchill Avenue, Subiaco, WA, 6008.

The principal activity of the Consolidated Entity during the year ended 31 December 2020 was helium exploration. The Company is headquartered in Australia.

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Australian Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared in accordance with the historical cost convention.

Going Concern

The Directors have prepared the financial report of the Consolidated Entity on a going concern basis.

For the year ended 31 December 2020 the Consolidated Entity produced a total comprehensive loss of \$1,661,662 (31 December 2019: total comprehensive loss of \$914,315) and had working capital of \$4,517,697 (31 December 2019: working capital of \$653,930). 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 \$4,909,336 (31 December 2019: \$1,138,089) and capital monies raised. On this basis, and subject to the impact of COVID-19 pandemic on the economy and the Consolidated Entity, 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 year ended 31 December 2020 financial report.

The Directors are aware, having prepared a cashflow forecast, of the Consolidated Entity's working capital requirements within the next 12 months.

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.

Statement of compliance

The financial report complies with Australian Accounting Standards and International Financial Standards (IFRS) as issued by the International Accounting Standard Board.

(b) New and amended accounting standards and interpretations

Apart from the adoption of new or revised accounting standards, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report. New and amended Standards and Interpretations did not result in any significant changes to the Consolidated Entity's accounting policies. The Consolidated Entity has not elected to early adopt any new standards or amendments that have been issued that are not yet effective.

For the Year Ended 31 December 2020

NOTE 1 BASIS OF PREPARATION (CONT.)

(c) Principles of consolidation

The consolidated financial statements comprise the financial statements of Blue Star Helium Limited and its subsidiaries (formerly Big Star Energy Limited) during the year ended 31 December 2020 ("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) Property, plant and equipment

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

Oil and Gas Properties

Oil and gas properties include construction, installation or completion of infrastructure facilities such as pipelines and platforms, capitalised borrowing costs, transferred exploration and evaluation costs, and the cost of development wells.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. All other costs are charged to profit or loss during the financial year in which they are incurred.

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. The major categories of assets are depreciated as follows:

| <u>Category</u> | <u>Method</u> |
|---------------------|----------------------|
| Plant and equipment | Straight line at 50% |

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 the Year Ended 31 December 2020

NOTE 1 BASIS OF PREPARATION (CONT.)

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 de-recognition 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.

(e) Exploration and evaluation

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.

For the Year Ended 31 December 2020

NOTE 1 BASIS OF PREPARATION (CONT.)

(f) **Impairment**

Non-financial assets

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, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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).

(g) **Provision for restoration**

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.

(h) **Trade and other receivables**

Trade receivables, which generally have 30–90-day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

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.

(i) **Cash and cash equivalents**

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.

For the Year Ended 31 December 2020

NOTE 1 BASIS OF PREPARATION (CONT.)

(j) **Trade and other payables**

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.

(k) **Provisions**

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.

(l) **Employee benefits**

Short term benefits

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.

(m) **Revenue recognition**

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:

Sales Revenue – Oil sales

The Performance obligation for sales is satisfied when the physical possession of the oil is taken. Payment is generally received 80 to 100 days from delivery. Oil revenue is initially recognised in the revenue clearing account until the payment is received.

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.

Dividends

Revenue is recognised from dividends when the Company's right to receive the dividend payment is established.

(n) **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.

For the Year Ended 31 December 2020

NOTE 1 BASIS OF PREPARATION (CONT.)

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
- 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 items recognised directly in equity are recognised in equity and not in profit or loss.

(o) Other taxes

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

- 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
- 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.

For the Year Ended 31 December 2020

NOTE 1 BASIS OF PREPARATION (CONT.)

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.

(p) Issued and paid up capital

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

(q) Earnings per share ("EPS")

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.

(r) Foreign currency translation

Both the functional and presentation currency of Blue Star Helium Limited and its Australian subsidiaries (formerly Big Star Energy Limited) 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 BNL (Percy Creek) 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 (formerly Big Star Energy 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.

For the Year Ended 31 December 2020

NOTE 1 BASIS OF PREPARATION (CONT.)

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.

(s) Share-based payment transactions

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 (formerly Big Star Energy 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.

(t) 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.

(i) 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:

For the Year Ended 31 December 2020

NOTE 1 BASIS OF PREPARATION (CONT.)

Impairment of oil and gas properties

The Consolidated Entity's accounting policy for impairment is set out at Note 1(d). 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 Oil and Gas Property assets. As at 31 December 2020 the Consolidated Entity impaired the value in use of its oil and gas properties, writing their carrying values down by \$8,335 (2019: \$35,124). The Company has valued these assets at the fair value or market price for these assets.

Impairment of exploration and evaluation assets

The Consolidated Entity's accounting policy for impairment is set out at Note 1(e) and 1(f). 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.

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 1(g).

NOTE 2 SEGMENT REPORTING

For management purposes, the Company is organised into one main operating segment, which, during the year, involved helium exploration and oil exploration 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 oil and gas produced in the USA. During the years ended 31 December 2020 and 31 December 2019 external sales of oil and gas were made to customers solely located in the USA.

| | Consolidated | |
|---|-----------------------------|-----------------------------|
| | 31 December 2020 | 31 December 2019 |
| | \$ | \$ |
| Analysis of revenue – Continued operations: | | |
| Oil | 5,635 | 10,793 |
| Gas | – | – |
| Other* | 10,318 | 51,922 |
| | 15,953 | 62,715 |

*monies received by Antares Energy Company from previously divested properties

For the Year Ended 31 December 2020

NOTE 2 SEGMENT REPORTING (CONT.)

| | Consolidated | |
|---|------------------|----------------|
| | 31 | 31 |
| | December | December |
| | 2020 | 2019 |
| Geographical split of non-current assets: | | |
| USA | 4,014,484 | 814,243 |
| Australia | - | 1,456 |
| | <u>4,014,484</u> | <u>815,699</u> |

NOTE 3 REVENUE & INCOME

Revenue

Sale of product

Other Income

| | Consolidated | |
|-----------------|---------------|---------------|
| | 31 | 31 |
| | December | December |
| | 2020 | 2019 |
| | \$ | \$ |
| Sale of product | 5,635 | 10,793 |
| Other Income | 10,318 | 51,922 |
| | <u>15,953</u> | <u>62,715</u> |

NOTE 4 EXPENSES AND LOSSES

Expenses

(a) Cost of sales:

Other production costs

Total cost of sales

(b) Other expenses:

General expenses

Depreciation

(c) Employment expenses:

Wages and salaries*

Superannuation

Total employment expenses

| | Consolidated | |
|---------------------------|----------------|----------------|
| | 31 | 31 |
| | December | December |
| | 2020 | 2019 |
| | \$ | \$ |
| Other production costs | 47,331 | 45,568 |
| Total cost of sales | <u>47,331</u> | <u>45,568</u> |
| General expenses | 666,474 | 392,394 |
| Depreciation | 1,456 | 4,118 |
| | <u>667,930</u> | <u>396,512</u> |
| Wages and salaries* | 229,747 | 213,808 |
| Superannuation | 17,352 | 12,579 |
| Total employment expenses | <u>247,099</u> | <u>226,387</u> |

*The Company capitalised salary and wages totalling \$276,984 (31 December 2019: \$73,612) (Refer Note 12) and reallocated \$47,417 to liaison with legal advisors.

For the Year Ended 31 December 2020

NOTE 5 INCOME TAX (CONTINUED)

| The major components of income tax expense are | Consolidated | |
|--|------------------|------------------|
| | 31 December 2020 | 31 December 2019 |
| | \$ | \$ |
| Income Statement | | |
| <i>Current Income Tax</i> | | |
| Current income tax benefit | - | - |
| Prior year adjustment | - | - |
| <i>Deferred Income Tax</i> | | |
| Relating to origination and reversal of timing differences | - | - |
| | - | - |
| Income tax benefit is attributable to: | | |
| Loss from continuing operations | - | - |
| Profit from discontinued operations | - | - |
| | - | - |

A reconciliation between tax expense and the product of accounting (loss)/profit before income tax multiplied by the Consolidated Entity's applicable income tax rate is as follows:

| | | |
|---|-------------|-----------|
| Accounting (loss)/profit before income tax | (1,690,123) | (906,955) |
| At Consolidated Entity's statutory income tax rate of 30.0% (2018: 27.5%) | (507,037) | (249,413) |
| Adjustments in respect of current year income tax: | | |
| - Non-deductible expense / assessable income | 314,250 | - |
| - Deferred tax asset not brought to account | 205,033 | 249,413 |
| - Movement in unrecognised temporary differences | 731 | - |
| - Non-assessable income | (3,841) | - |
| - Deductible equity raising costs | (9,136) | - |
| Income tax benefit | - | - |

| Unrecognised deferred tax assets | Consolidated | |
|--|------------------|------------------|
| | 31 December 2020 | 31 December 2019 |
| | \$ | \$ |
| The following deferred tax assets have not been brought to account as follows: | | |
| Tax losses – revenue (Australian) | 15,629,423 | 651,259 |
| Temporary difference – deductible | 44,449 | - |
| Temporary differences – tax capital losses | 1,250 | - |
| | 15,675,122 | 651,259 |

For the Year Ended 31 December 2020

NOTE 5 INCOME TAX (CONT.)

The deferred tax assets will only be obtained if:

- i) Future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- ii) The conditions for deductibility imposed by tax legislation continue to be satisfied; and
- iii) No changes in tax legislation adversely affect the Consolidated Entity in realising the benefit.

The revenue tax losses (Australia) include pre-administration losses and are subject to ATO review.

Blue Star Helium Limited (formerly Big Star Energy Limited) does not have any franking credits at 31 December 2020 (2019: NIL).

NOTE 6 (LOSS) PER SHARE

Basic profit/(loss) per share amounts are calculated by dividing net profit or loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted (loss)/profit per share amounts are calculated by dividing the net profit or loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

| | Consolidated | |
|--|---------------------|--------------------|
| | 31 December | 31 December |
| | 2020 | 2019 |
| | \$ | \$ |
| 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)/profit per share) | (1,690,123) | (906,955) |
| Weighted average number of ordinary shares outstanding during the year used in calculating basic and dilutive EPS | <u>903,606,566</u> | <u>428,052,856</u> |

NOTE 7 CASH AND CASH EQUIVALENTS

| | Consolidated | |
|--------------------------|---------------------|--------------------|
| | 31 December | 31 December |
| | 2020 | 2019 |
| | \$ | \$ |
| Cash at bank and on hand | <u>4,909,336</u> | <u>1,138,089</u> |

Cash at bank earns interest at floating rates based on daily bank deposit rates.

For the Year Ended 31 December 2020

NOTE 7 CASH AND CASH EQUIVALENTS (CONT.)

| | Consolidated | |
|---|------------------------------|---------------------------|
| | 31 December 2020 \$ | 31 December 2019 \$ |
| Reconciliation of net (loss) after tax to net operating cash flows | | |
| Net (loss) for the year | (1,690,123) | (906,955) |
| Non-cash Items and other adjustments: | | |
| Impairment of oil & gas properties | 8,335 | 35,124 |
| Depreciation | 1,456 | 4,118 |
| Share based payment | 103,740 | 24,390 |
| Foreign exchange | 123,010 | - |
| Change in operating assets and liabilities: | | |
| (Increase)/Decrease in receivables and prepayments | (14,074) | (12,943) |
| Increase/(Decrease) in creditors and payables | 159,367 | 912 |
| Increase/(Decrease) in provisions | - | - |
| Net cash (outflows) from operating activities | <u>(1,308,289)</u> | <u>(855,354)</u> |

There were no non-cash financing and investing activities during the year.

NOTE 8 TRADE AND OTHER RECEIVABLES

| | Consolidated | |
|-------------------|---------------------------|---------------------------|
| | 31 December 2020 \$ | 31 December 2019 \$ |
| Current | | |
| BAS refunds | 62,971 | 29,842 |
| Other receivables | 25,370 | 1,427 |
| | <u>88,341</u> | <u>31,269</u> |

None of the receivables are past due and/or impaired.

NOTE 9 OTHER ASSETS

| | Consolidated | |
|--------------------|---------------------------|---------------------------|
| | 31 December 2020 \$ | 31 December 2019 \$ |
| Current | | |
| Prepayment | 15,910 | 20,000 |
| Deposit | - | 35,684 |
| | <u>15,910</u> | <u>55,684</u> |
| Non-Current | | |
| Bonds (i) | <u>32,459</u> | <u>35,684</u> |
| | <u>48,369</u> | <u>91,368</u> |

(i) Refundable deposits on completion of well abandonment at operated oil and gas properties.

For the Year Ended 31 December 2020

| | Consolidated | |
|---|--------------|-------------|
| | 31 December | 31 December |
| | 2020 | 2019 |
| | \$ | \$ |
| NOTE 10 OIL AND GAS PROPERTIES | | |
| Oil and gas properties | | |
| – at cost | – | 411,183 |
| – accumulated amortisation & impairment | – | (370,999) |
| – exchange difference translation | – | (23,056) |
| – transfer to held for sale asset (see Note 14) | – | (17,128) |
| | <u>–</u> | <u>–</u> |

Oil and gas properties are denominated in \$US dollars

Reconciliation of carrying amounts of oil and gas properties:

| | | |
|---|----------|----------|
| Balance at start of year | – | 51,006 |
| Impairment | – | (35,124) |
| Foreign exchange translation | – | 1,246 |
| Transfer to held for sale asset (see Note 14) | – | (17,128) |
| Balance at end of year | <u>–</u> | <u>–</u> |

Oil and gas properties consist of the Big Star project. The value of the Consolidated Entity's interest in oil and gas properties is dependent upon the continuance of the Consolidated Entity's rights to tenure of the areas of interest, the results of future exploration and the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

NOTE 11 PROPERTY, PLANT & EQUIPMENT

| | Consolidated | |
|--------------------------|----------------|----------------|
| | 31 December | 31 December |
| | 2020 | 2019 |
| | \$ | \$ |
| EQUIPMENT | | |
| IT Equipment | 8,528 | 8,528 |
| Accumulated Depreciation | <u>(8,528)</u> | <u>(7,072)</u> |
| | <u>–</u> | <u>1,456</u> |

For the Year Ended 31 December 2020

NOTE 12 EXPLORATION AND EVALUATION ASSETS

| | Consolidated | |
|---|---------------------|---------------------|
| | 31 December 2020 | 31 December 2019 |
| | \$ | \$ |
| Current | | |
| Capitalised expenditure | | |
| – at cost | 3,966,472 | 928,057 |
| – accumulated amortisation and impairment | – | (149,498) |
| – exchange difference translation | 15,553 | – |
| | <u>3,982,025</u> | <u>778,559</u> |
| Reconciliation of Carrying amounts of exploration and evaluation assets: | | |
| Balance at start of the year | 778,559 | – |
| Additions | 3,196,248 | 928,057 |
| Impairment | (8,335) | (149,498) |
| Foreign exchange difference translation | 15,553 | – |
| Balance at end of the year | <u>3,982,025</u> | <u>778,559</u> |

Capitalised Expenditure

Blue Star Helium Limited (formerly Big Star Energy 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 2021 calendar year. Currently Blue Star Helium Limited (formerly Big Star Energy Limited) has expended certain funds in connection with acquiring and exploring the lands for helium. As at 31 December 2020 there was a total of \$3,982,025 (31 December 2019: \$778,559) 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.

Blue Star Helium Limited's (formerly Big Star Energy Limited) wholly owned subsidiary BNL (Percy Creek) entered into a Farmin and option agreement with Percy Creek Partners LLC. On 4 November 2019, the Company announced that the agreement was terminated by mutual agreement. As at 31 December 2019 a total of \$149,498 of expenditure directly connected with this Farmin which was previously capitalised from 26 April 2019 (the date of execution date of the Farm-in agreement) has been written off in accordance with AASB 6 Exploration and Evaluation of Mineral Resources.

| | Consolidated | |
|---|---------------------|---------------------|
| | 31 December 2020 | 31 December 2019 |
| | \$ | \$ |
| NOTE 13 TRADE AND OTHER PAYABLES (CURRENT) | | |
| Trade creditors and accruals | <u>342,263</u> | <u>516,872</u> |
| | <u>342,263</u> | <u>516,872</u> |

Trade creditors are non-interest bearing and generally payable within 30 – 60 days.

For the Year Ended 31 December 2020

NOTE 14 HELD FOR SALES ASSETS & LIABILITIES
ASSOCIATED WITH HELD FOR SALE
ASSETS

| | Consolidated | |
|---|---------------------|---------------------|
| | 31 December 2020 | 31 December 2019 |
| | \$ | \$ |
| Held For Sale Assets at fair value | | |
| Oil and Gas Properties – AEC | 15,943 | 17,128 |
| Restoration Provisions | (71,368) | (71,368) |
| Trade Payables | (28,090) | - |
| Balance 31 December | <u>(83,515)</u> | <u>(54,240)</u> |

Held for sale assets

Held for sale financial assets comprise one well bore, Simmons, and associated acreage in project in Dawson County, Texas which is currently operated by Callon Petroleum. This asset was written down to \$15,943 with the negotiations in relation to its divestment (2019: \$17,128).

Costs associated with the Simmons well bore such as the restoration/ plug costs of AUD \$71,368 were included in 2020 and 2019.

NOTE 15 PROVISIONS

| | Consolidated | |
|--------------------|---------------------|---------------------|
| | 31 December 2020 | 31 December 2019 |
| | \$ | \$ |
| Current | | |
| Restoration | 70,112 | - |
| | <u>70,112</u> | <u>-</u> |
| Non-Current | | |
| Restoration | 118,193 | 214,102 |
| | <u>118,193</u> | <u>214,102</u> |

The Restoration provisions are denominated in \$US dollars (US\$150,000) (31 December 2019: US \$150,000).

**Reconciliation of the movements in the
restoration provision**

| | | |
|----------------------------------|----------------|----------------|
| Balance at start of year | 214,102 | 283,367 |
| Additions during the year | - | - |
| Transfer to Held for sale assets | - | (71,368) |
| Foreign exchange movements | (25,797) | 2,103 |
| Balance at end of year | <u>188,305</u> | <u>214,102</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 in Dawson County, Texas, including removal of facilities and equipment required or intended to be removed.

For the Year Ended 31 December 2020

NOTE 15 PROVISIONS (CONT.)

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 Note 1(u).

NOTE 16 CONTRIBUTED EQUITY

| | 31 December 2020 | 31 December 2019 |
|-----------------------------|---------------------|---------------------|
| | \$ | \$ |
| Issued and paid up capital: | | |
| Fully paid ordinary shares | 12,569,133 | 3,913,870 |

| | 12 months to 31 December 2020 | | 12 months to 31 December 2019 | |
|---|----------------------------------|-------------------|----------------------------------|------------------|
| | No. of shares | \$ | No. of shares | \$ |
| Movement in ordinary shares on issue: | | | | |
| At 1 January | 733,747,255 | 3,913,870 | 331,000,017 | 1,882,418 |
| Issue of shares (Tranche 1) ⁽ⁱ⁾ | - | - | 65,875,000 | 329,375 |
| Issue of shares (Tranche 2) ⁽ⁱⁱ⁾ | - | - | 72,723,228 | 363,616 |
| Issue of shares ⁽ⁱⁱⁱ⁾ | - | - | 117,399,560 | 586,998 |
| Issue of shares ^(iv) | - | - | 146,749,450 | 880,497 |
| Issue of shares ^(v) | 98,062,088 | 980,622 | - | - |
| Issue of shares ^(vi) | 2,250,000 | 22,500 | - | - |
| Issue of shares ^(vii) | 94,625,000 | 946,250 | - | - |
| Issue of shares ^(viii) | 132,200,000 | 1,322,000 | - | - |
| Issue of shares ^(ix) | 750,000 | 9,000 | - | - |
| Issue of shares ^(x) | 171,428,572 | 6,000,000 | - | - |
| Less: Capital raising costs | - | (625,109) | - | (129,034) |
| At 31 December | 1,233,062,915 | 12,569,133 | 733,747,255 | 3,913,870 |

(i) 65,875,000 new ordinary shares were issued via a capital raise to shareholders on 13 June 2019 at an issue price of 0.5 cents (\$0.005) per placement share. The shares were issued using the Company's existing authorities under the ASX Listing Rules 7.1 (32,775,000 shares) and 7.1A (33,100,000 shares).

(ii) 72,723,228 ordinary Shares were issued on 31 July 2019 at an issue price of 0.5 cents (\$0.005) per share.

(iii) 117,399,560 ordinary shares were issued pursuant to the placement to investors on 10 October 2019 at an issue price of 0.5 cents (\$0.005) per share.

(iv) 146,749,450 ordinary shares were issued pursuant to the placement to investors on 24 December 2019 at an issue price of 0.6 cents (\$0.006) per share.

(v) 98,062,088 new ordinary shares were issued via a placement to investors on 22 June 2020 at an issue price of 1.0 cent (\$0.01) per placement share. The shares were issued using the Company's existing authorities under the ASX Listing Rules 7.1.

(vi) 2,250,000 ordinary shares were issued on 22 June 2020 at an issue price of 1.0 cent (\$0.01) per share pursuant to the conversion of options.

For the Year Ended 31 December 2020

NOTE 16 CONTRIBUTED EQUITY (CONT.)

(vii) 94,625,000 ordinary shares were issued on 2 July 2020 at an issue price of 1.0 cent (\$0.01) per share pursuant to the conversion of options.

(viii) 132,200,000 new ordinary shares were issued via a placement to investors on 7 August 2020 at an issue price of 1.0 cent (\$0.01) per placement share. The shares were issued using the approval given by shareholders at the 30 July 2020 AGM.

(ix) 750,000 ordinary shares were issued on 15 October 2020 at an issue price of 1.0 cent (\$0.01) per share pursuant to the conversion of options.

(x) 171,428,572 new ordinary shares were issued via a placement to investors on 27 November 2020 at an issue price of 3.5 cent (\$0.035) per placement share. The shares were issued using the Company's existing authorities under the ASX Listing Rules 7.1 (65,340,138 shares) and 7.1A (106,088,434 shares).

* The directors of the Company elected to apply relief under section 258F of the Corporations Act 2001, as the Paid-Up Share Capital is considered cost or is not represented by available assets.

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 monitor 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 \$4,909,336 (31 December 2019: \$1,138,089) and ability of the Company to raise capital as needed.

| | Consolidated | |
|--------------------------------|-----------------------------|-----------------------------|
| | 31 December 2020 | 31 December 2019 |
| | \$ | \$ |
| Total borrowings | - | - |
| Less cash and cash equivalents | (4,909,336) | (1,138,089) |
| Net debt | (4,909,336) | (1,138,089) |
| Total shareholders' funds | 9,280,622 | 1,255,527 |
| Total capital and debt | <u>4,371,286</u> | <u>117,438</u> |

NOTE 17 RESERVES

| | Consolidated | |
|------------------------|-----------------------------|-----------------------------|
| | 31 December 2020 | 31 December 2019 |
| | \$ | \$ |
| Option reserve | 191,125 | 26,265 |
| FX Translation reserve | 86,121 | 57,660 |
| | <u>277,246</u> | <u>83,925</u> |

16,875,000 unlisted options were issued to the executive director Trent Spry on 29 April 2019 and ratified by shareholders on 29 July 2019 exercisable at \$0.01 per option, expiring on 30 June 2020 at a value of \$12,790.

10,000,000 unlisted options were issued to Pamplona Capital Pty Ltd on 24 December 2019 at an issue price of \$0.01 cents per option, expiring on 30 June 2020 at a value of \$11,600.

For the Year Ended 31 December 2020

NOTE 17 RESERVES (CONT.)

22,000,000 unlisted options exercisable at \$0.012 per option, expiring on 31 December 2021 were issued to each of Mr Warner, Ms Kendrick and Mr Spry (totalling 66,000,000) as approved by shareholders on 24 April 2020 under the management incentive plan on 1 May 2020. The options are fully vested and were calculated at grant date using the Black Scholes model with a share price at grant date of \$0.005 cents per option. The fair value of the options was \$0.00133 per option at grant date.

12,000,000 unlisted options exercisable at \$0.012 per option, expiring on 31 December 2021 were issued to the Company's brokers on 1 May 2020 as ratified by shareholders on 30 July 2020.

8,000,000 unlisted options exercisable at \$0.012 per option, expiring on 31 December 2021 were issued to the Company's brokers on 7 August 2020 as approved by shareholders on 30 July 2020.

Nature and purpose of reserves:

Option reserve

The option 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. There were 86,000,000 options granted for the year ended 31 December 2020 (2019: 26,875,000).

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.

| | Number | 31 December 2020 | Number | 31 December 2019 |
|-----------------------------------|--------------|---------------------|-------------|---------------------|
| | | \$ | | \$ |
| Movement in Option reserve | | | | |
| Beginning of the year | 101,875,000 | 26,265 | 75,000,000 | 1,875 |
| Issue of options | 86,000,000 | 164,860 | 26,875,000 | 24,390 |
| Conversion of options | (97,625,000) | - | - | - |
| Expiration of options | (5,000,000) | - | - | - |
| End of the year | 85,250,000 | 191,125 | 101,875,000 | 26,265 |

The weighted average life of the options was 1.65 years (2019: 1.88 years) and the weighted average exercise price was \$0.012 (2019: \$0.01).

| | 31 December 2020 | 31 December 2019 |
|---|---------------------|---------------------|
| | \$ | \$ |
| Movement in FX Translation reserve | | |
| Beginning of the year | 57,660 | 65,020 |
| Translation of foreign currency | 28,461 | (7,360) |
| End of the year | 86,121 | 57,660 |

For the Year Ended 31 December 2020

NOTE 18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial risk note below reflects the financial risk management and policies that were adopted by the directors of the Company who were in office at the date of this report.

Overview

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

- a) market risk;
- b) liquidity risk; and
- c) 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 Consolidate 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's 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:

(a) Market risk

Equity price risk

As at 31 December 2020 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 2020 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 2020 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 helium, natural gas, condensate and oil prices in the USA.

For the Year Ended 31 December 2020

NOTE 18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT.)

(b) 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 | |
|---------------|---------------------|---------------------|
| | 31 December 2020 | 31 December 2019 |
| | \$ | \$ |
| 0 - 6 months | (342,263) | (516,872) |
| 6 - 12 months | - | - |
| 1 - 5 years | - | - |
| | (342,263) | (516,872) |

For the Year Ended 31 December 2020

NOTE 18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT.)

(b) Liquidity risk (cont.)

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

| Consolidated as at 31 December 2020 | ≤ 6 months \$ | 6 – 12 months \$ | 1 – 5 years \$ | > 5 years \$ | Total \$ |
|---|---------------------|------------------------|-------------------|-----------------|------------------|
| Financial Assets | | | | | |
| Cash and cash equivalents | 4,909,336 | - | - | - | 4,909,336 |
| Trade and other receivables | 88,341 | - | - | - | 88,341 |
| Deposits | - | - | 32,459 | - | 32,459 |
| | <u>4,997,677</u> | <u>-</u> | <u>32,459</u> | <u>-</u> | <u>5,030,136</u> |
| Financial Liabilities | | | | | |
| Payables | (342,263) | - | - | - | (342,263) |
| | <u>(342,263)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(342,263)</u> |
| Net inflow/(outflow) | <u>4,655,414</u> | <u>-</u> | <u>32,459</u> | <u>-</u> | <u>4,687,873</u> |

| Consolidated as at 31 December 2019 | ≤ 6 months \$ | 6 – 12 months \$ | 1 – 5 years \$ | > 5 years \$ | Total \$ |
|---|---------------------|------------------------|-------------------|-----------------|------------------|
| Financial Assets | | | | | |
| Cash and cash equivalents | 1,138,089 | - | - | - | 1,138,089 |
| Trade and other receivables | 31,269 | - | - | - | 31,269 |
| Deposits | 35,684 | - | 35,684 | - | 71,368 |
| | <u>1,205,042</u> | <u>-</u> | <u>35,684</u> | <u>-</u> | <u>1,240,726</u> |
| Financial Liabilities | | | | | |
| Payables | (516,872) | - | - | - | (516,872) |
| | <u>(516,872)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(516,872)</u> |
| Net inflow/(outflow) | <u>688,170</u> | <u>-</u> | <u>35,684</u> | <u>-</u> | <u>723,854</u> |

(c) 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.

For the Year Ended 31 December 2020

NOTE 18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT.)

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 2020 the only trade receivables and other receivable are for GST receivable and refundable deposits.

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.

(d) 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.

NOTE 19 COMMITMENTS FOR EXPENDITURE AND CONTINGENCIES

There were no material commitments for expenditure nor contingent liabilities.

NOTE 20 INTEREST IN JOINT OPERATIONS

- (i) At 31 December 2020 the Consolidated Entity held the following interests in oil and gas production and exploration joint operations:

| Joint Operations | Working Interest | |
|-------------------------------------|-------------------------|--------------------|
| | 31 Dec 2020 | 31 Dec 2019 |
| Big Star - Simmons Prospect - Texas | 72.0% | 72.0% |

- (ii) Principal activities of joint operations

Petroleum exploration and production is the principal activity of all of the joint ventures that the Consolidated Entity is a participant in at 31 December 2020. All joint operations are located onshore Texas, USA.

For the Year Ended 31 December 2020

NOTE 21 RELATED PARTY DISCLOSURES

(i) ULTIMATE PARENT

Blue Star Helium Limited (formerly Big Star Energy Limited) is the ultimate parent company.

(ii) CONSOLIDATED ENTITY

At year end the Consolidated Entity consisted of the subsidiaries listed in the following table:

| | Country of Incorporation | Class of Share | Equity interest | |
|--|--------------------------|----------------|------------------|------------------|
| | | | 31 December 2020 | 31 December 2019 |
| <i>Controlled entities of Blue Star Helium Limited (formerly Big Star Energy Limited):</i> | | | | |
| Santa Energy Pty Ltd | Australia | Ord Shares | 100% | 100% |
| BNL (USA Helium) Pty Ltd | Australia | Ord Shares | 100% | – |
| <i>Controlled entities of Santa Energy Pty Ltd:</i> | | | | |
| Antares Energy Company | USA | Common Stock | 100% | 100% |
| BNL (Percy Creek) | USA | Ord Shares | 100% | 100% |
| <i>Controlled entities of BNL (USA Helium) Pty Ltd:</i> | | | | |
| BNL (Enterprise) Inc | USA | Common Stock | 100% | – |

There are no restrictions on access to assets and liabilities of the subsidiaries

NOTE 22 EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the end of the year

- a further 15,000 gross (9,000 net) were acquired.
- The COGCC's new rules and regulations for the permitting of oil and gas (including helium) wells in Colorado came into effect on 15 January 2021. COGCC requires all existing and new drilling applications to be submitted as new applications under the new rules. The directors believe that the new rules and procedures have not changed the prospects of the Company obtaining drilling permits and we expect they will be granted in due course. However, teething problems associated with COGCC's implementation of the new rules have caused delays in the permitting process for all participants including Blue Star. These delays and associated compliance costs are not expected to materially adversely impact the Company's business.
- US President Biden issued executive order 14008 entitled "Tackling the Climate Crisis at Home and Abroad" on 27 January 2021 (**Executive Order**). The Executive Order requires the Secretary of the Interior to "pause new oil and natural gas leases" on Federal land whilst a further review is undertaken of Federal oil and gas leasing and permitting practices by the Secretary. The Secretary of the Interior issued order number 3395 entitled "Temporary Suspension of Delegated Authority" on 20 January 2021 (**Secretarial Order**). The Secretarial Order withdraws authority from Department Bureaus and Officials "to issue any onshore or offshore fossil fuel authorisation" including leases and permits to drill on Federal lands for a period of 60 days. Authority has not been completely withdrawn but delegated to various senior positions within the US Department of the Interior.

For the Year Ended 31 December 2020

NOTE 22 EVENTS AFTER THE BALANCE SHEET DATE (CONT.)

- The Secretarial Order expired on 21 March 2021 and we have been advised that BLM staff have been instructed to resume processing oil and gas drilling permits. The Orders are part of the new administration's initial policy response to address the role of fossil fuels in climate change. Helium is not a fossil fuel and, therefore, these Orders are not expected to adversely impact the Company in the longer term.
- The Company has resolved to dissolve BNL (Percy Creek) and filing has been made to the regulator to that effect in March 2021.

NOTE 23 AUDITOR'S REMUNERATION

The auditor of Blue Star Helium Limited (formerly Big Star Energy Limited) is Stantons International.

| | Consolidated | |
|--|---------------------------|---------------------------|
| | 31 December 2020 \$ | 31 December 2019 \$ |
| Amounts received or due and receivable in relation to the entity or any other entity in the Consolidated Entity: | | |
| - an audit or review of the financial report | 31,179 | 29,000 |
| - tax and compliance services | - | - |
| | <u>31,179</u> | <u>29,000</u> |

NOTE 24 DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Key Management Personnel

Name

| | |
|-----------------|---|
| Ross Warner | Executive Director & Chairman - Appointed 23 March 2018 |
| Joanne Kendrick | Managing Director - Appointed 23 March 2018 |
| Michael Pollak | Non-Executive Director - Appointed 23 March 2018 (Resigned 25 March 2020) |
| Trent Spry | Executive Director - 29 April 2019 |

(b) Remuneration of Key Management Personnel

(i) Compensation by Category: Key Management Personnel

| | Consolidated | |
|------------------------------|----------------|----------------|
| | 2020 \$ | 2019 \$ |
| Short-Term (including bonus) | 553,715 | 287,421 |
| Post-Employment | 17,785 | 12,579 |
| Long-Term | - | - |
| Share-based Payments | 87,780 | 12,790 |
| | <u>659,280</u> | <u>312,790</u> |

For the Year Ended 31 December 2020

NOTE 24 DIRECTOR AND EXECUTIVE DISCLOSURES (CONT.)

(ii) *Loans to Key Management Personnel*

During the year ended 31 December 2020 and the year ended 31 December 2019 there were no loans provided to Key Management Personnel.

(iii) *Other transactions and balances with Key Management Personnel*

There were no transactions with Key Management Personnel other than those described above. At 31 December 2020 and 31 December 2019 there were no balances outstanding in relation to Key Management Personnel other than those described above and in the Remuneration Report.

NOTE 25 PARENT ENTITY INFORMATION

The following information relates to the parent entity, Blue Star Helium Limited (formerly Big Star Energy Limited) at 31 December 2020. The information presented here has been prepared using accounting policies consistent with those presented in note 1.

| | 31 December 2020 | 31 December 2019 |
|--|---------------------------|---------------------------|
| | \$ | \$ |
| Current assets | 4,946,376 | 1,096,108 |
| Non-current assets | 3,978,134 | 777,227 |
| Total assets | <u>8,924,510</u> | <u>1,873,335</u> |
| Current liabilities | 314,715 | 488,842 |
| Non-current liabilities | - | - |
| Total liabilities | <u>314,715</u> | <u>488,842</u> |
| Net assets | <u>8,609,795</u> | <u>1,384,493</u> |
| Contributed equity | 12,569,133 | 3,913,870 |
| Reserves | 191,125 | 26,265 |
| Accumulated losses | (4,150,463) | (2,555,642) |
| Total equity | <u>8,609,795</u> | <u>1,384,493</u> |
| (Loss) for the year | <u>(1,594,821)</u> | <u>(1,033,687)</u> |
| Total comprehensive (loss) for the year | <u>(1,594,821)</u> | <u>(1,033,687)</u> |

Guarantees entered into by the parent entity in relation to debts of its subsidiaries

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

There are no guarantees.

For the Year Ended 31 December 2020

NOTE 26 SHARE BASED PAYMENTS

The assessed fair value of the 66,000,000 options granted during the year was \$87,780 as calculated at grant date using the Black-Scholes model – Inputs include:

| | |
|-----------------------------|------------------|
| - Grant date | 1 May 2020 |
| - Exercise by | 31 December 2021 |
| - Exercise price per share | \$0.012 |
| - Share price at grant date | \$0.005 |
| - Expected volatility | 100% |
| - Risk-free interest rate | 0.43% |

Further details regarding share-based payments to key management personnel can be found in the audited remuneration report set out in the Directors' report.

The assessed fair value of the 12,000,000 options granted during the year was \$15,960 as calculated at grant date using the Black-Scholes model – Inputs include:

| | |
|-----------------------------|------------------|
| - Grant date | 1 May 2020 |
| - Exercise by | 31 December 2021 |
| - Exercise price per share | \$0.012 |
| - Share price at grant date | \$0.005 |
| - Expected volatility | 100% |
| - Risk-free interest rate | 0.43% |

The assessed fair value of the 8,000,000 options granted during the year was \$61,120 as calculated at grant date using the Black-Scholes model – Inputs include:

| | |
|-----------------------------|------------------|
| - Grant date | 7 August 2020 |
| - Exercise by | 31 December 2021 |
| - Exercise price per share | \$0.012 |
| - Share price at grant date | \$0.015 |
| - Expected volatility | 100% |
| - Risk-free interest rate | 0.43% |

BLUE STAR HELIUM LIMITED (formerly Big Star Energy Limited)

ABN 75 009 230 835

DIRECTORS' DECLARATION

In accordance with a resolution of Directors of Blue Star Helium Limited (formerly Big Star Energy Limited), the Directors' declare that:

- (a) they are of the opinion that the Consolidated financial statements and Notes of Blue Star Helium Limited (formerly Big Star Energy Limited), and the remuneration disclosures contained in the Remuneration Report for the year ended 31 December 2020 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2020 and the performance for the year ended on that date of the Consolidated Entity; and
 - (ii) complying with Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1(a); and
- (c) 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.



Ross Warner

Chairman

31 March 2021

**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 2020, 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 2020 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.

Key Audit Matters

We have determined the matter described below to be Key Audit Matter 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>Carrying Value of Exploration and Evaluation Assets</p> <p>As at 31 December 2020, Exploration and Evaluation Assets totalled \$3,982,025 (refer to Note 12 of the financial report).</p> <p>The carrying value of exploration and evaluation assets is a key audit matter due to:</p> <ul style="list-style-type: none"> • The significance of the expenditure capitalised representing 44% of total assets; • 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 • The assessment of significant judgements made by management in relation to the capitalised exploration and evaluation expenditure. | <p>Inter alia, our audit procedures included the following:</p> <ol style="list-style-type: none"> i. Assessing the Group's right to tenure over exploration assets by corroborating the ownership of the relevant licences for mineral resources to relevant third-party documentation; 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; 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 style="list-style-type: none"> ▪ Minutes of the board and management; and ▪ Announcements made by the Group to the Australian Securities Exchange; and iv. Consideration of the requirements of accounting standard AASB 6 and reviewed the financial statements to ensure appropriate disclosures are made. |

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 2020, 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 11 to 14 of the directors' report for the year ended 31 December 2020.

In our opinion, the Remuneration Report of Blue Star Helium Limited for the year ended 31 December 2020 complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit & Consulting Pty Ltd



Martin Michalik

Director

West Perth, Western Australia

31 March 2021

SHAREHOLDER INFORMATION

AS AT 24 MARCH 2021

Ordinary Shares

(a) Twenty Largest Shareholder

| Position | Holder Name | Holding | % IC |
|----------|---|------------|-------|
| 1 | BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD | 42,623,239 | 3.46% |
| 2 | UNITED EQUITY PARTNERS PTY LTD | 31,000,000 | 2.51% |
| 3 | PAMPLONA OPPORTUNITIES LTD | 31,000,000 | 2.51% |
| 4 | MS CHUNYAN NIU | 28,000,000 | 2.27% |
| 5 | OCEANVIEW SUPER FUND PTY LTD <OCEANVIEW SUPER FUND A/C> | 26,218,047 | 2.13% |
| 5 | EQUITY TRUSTEES LIMITED <LOWELL RESOURCES FUND A/C> | 25,714,286 | 2.09% |
| 6 | ELLIOT HOLDINGS PTY LTD <CBM FAMILY> | 23,125,000 | 1.88% |
| 7 | MR TIMOTHY WONG | 21,418,509 | 1.74% |
| 8 | CITICORP NOMINEES PTY LIMITED | 20,675,074 | 1.68% |
| 9 | MR SEBASTIAN MARR | 20,000,000 | 1.62% |
| 9 | AEI AUSTRALIA PTY LTD <ROD LADD FAMILY A/C> | 20,000,000 | 1.62% |
| 10 | SHELCO HOLDINGS PTY LTD | 19,911,721 | 1.61% |
| 11 | OPTIM8 PTY LTD <THE GIC SUPER FUND A/C> | 19,000,000 | 1.54% |
| 12 | TRDJS PTY LIMITED <DD FAMILY A/C> | 17,900,000 | 1.45% |
| 13 | MR ROSS WARNER | 15,000,000 | 1.22% |
| 13 | MS JOANNE KENDRICK | 15,000,000 | 1.22% |
| 14 | PAMPLONA CAPITAL PTY LTD | 14,800,000 | 1.20% |
| 15 | MR HUGH DAVID WARNER & MRS DIANNE MICHELLE WARNER <CBM SUPER FUND A/C> | 14,500,000 | 1.18% |

| | | | |
|-----------|---|----------------------|----------------|
| 16 | MS CHUNYAN NIU | 14,000,000 | 1.14% |
| 17 | MR ROBERT LESLIE DAHL & MRS MERRIL ANNE DAHL <SWAINSHILL SUPER FUND A/C> | 12,500,000 | 1.01% |
| 18 | MR KOK KEEN CHONG & MRS HUE NGHI CHONG | 12,325,000 | 1.00% |
| 19 | MR JEFFREY ALAN GRAY | 12,000,000 | 0.97% |
| 20 | MRS MICHELLE LINLEY HILBRANDS | 11,900,000 | 0.97% |
| | Total | 468,610,876 | 38.02% |
| | Total issued capital – selected security class(es) | 1,233,062,915 | 100.00% |

SHAREHOLDER INFORMATION AS AT 24 MARCH 2021

(b) Distribution of Shareholdings

| Holding Ranges | Holders | Total Units | % Issued Share Capital |
|--|--------------|----------------------|------------------------|
| above 0 up to and including 1,000 | 153 | 43,208 | 0.00% |
| above 1,000 up to and including 5,000 | 44 | 105,803 | 0.01% |
| above 5,000 up to and including 10,000 | 19 | 160,143 | 0.01% |
| above 10,000 up to and including 100,000 | 1,076 | 50,141,553 | 4.07% |
| above 100,000 | 952 | 1,182,612,208 | 95.91% |
| Totals | 2,244 | 1,233,062,915 | 100.00% |

(c) Substantial Shareholders

| Number of Shares | % of Issued Shares |
|------------------|--------------------|
|------------------|--------------------|

There are no substantial Shareholders with greater than 5% of issued shares.

(d) Unmarketable Parcels

There were 308 members holding less than a marketable parcel of shares in the Company with total 1,455,885, amounting to 0.12% of Issued Capital.

(e) Voting Rights

Voting rights of members are governed by the Company's Constitution. In summary, on a show of hands, every member present in person or by proxy shall have one vote and in the event of a poll every such member shall be entitled to one vote for each ordinary fully paid share held.

(f) Exchanges

Blue Star Helium Limited (formerly Big Star Energy Limited) is listed on the Australian Securities Exchange. Ordinary shares are listed under the **BNL** code.

LIST OF INTERESTS – AS AT 22 MARCH 2021

Helium Project, Colorado, USA

| Counterparty | Location | Operator | Total Net Acres | Working Interest | Net Revenue Interest |
|----------------------------|----------------|----------|-----------------|------------------|----------------------|
| Fee Mineral Owners | Las Animas, CO | Big Star | 48,452 | 100% | 87.0% |
| Colorado State | Las Animas, CO | Big Star | 40,361 | 100% | 80.0% |
| BLM* | Las Animas, CO | Big Star | 80,000 | 100% | 87.5% |
| *Bureau of Land Management | | | | | |

Texas, USA

Big Star Project

| Well Name | Area | Operator | Working Interest | Net Revenue Interest* |
|--|-------------------|------------------|------------------|-----------------------|
| Cline 46-1 | Dawson County, TX | Antares | 100% | 0% |
| Simmons 27-2 | Dawson County, TX | Callon Petroleum | 72% | 54% |
| Stuart 12-1 | Dawson County, TX | Antares | 100% | 0% |
| *NRI noted as 0% where mineral lease has expired and interest in the wellbore remains. | | | | |

Hawville Overriding Royalty Interests

| Well Name | Area | Royalty Interest |
|-----------------------------|--------------|------------------|
| Donnell 457 1&2 | McMullen, TX | 0.125% |
| Donnell C-1H | McMullen, TX | 0.99345% |
| Donnell C-2H | McMullen, TX | 0.99345% |
| Donnell-Mulholland Unit 1&2 | McMullen, TX | 0.059553% |