HELIOS ENERGY LTD
ACN 143 932 110
NOTICE OF GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: 11:00am WST

DATE: Thursday 29 March 2018

PLACE: Level 3
18 Richardson Street
West Perth WA 6005
Australia

The business of the Meeting affects your shareholding and your vote is important.

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 4:00pm WST on Tuesday 27 March 2018.

BUSINESS OF THE MEETING

AGENDA

1. RESOLUTION 1 – ELECTION OF DIRECTOR – MR HUI YE

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of clause 13.4 of the Constitution, and for all other purposes, Mr Hui Ye, a Director who was appointed on 1 December 2017, retires, and being eligible, is elected as a Director."

2. RESOLUTION 2 – ELECTION OF DIRECTOR – MR ROBERT BEARDEN

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of clause 13.4 of the Constitution, and for all other purposes, Mr Robert Bearden, a Director who was appointed on 14 February 2018, retires, and being eligible, is elected as a Director."

3. RESOLUTION 3 – RATIFICATION OF PRIOR ISSUE OF PLACEMENT SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 51,643,672 Shares on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who participated in the issue or any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

4. RESOLUTION 4 – APPROVAL TO ISSUE SHARES TO NOTABLE PIONEER LIMITED

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of Section 611 (Item 7) of the Corporations Act, ASX Listing Rule 10.11, and for all other purposes, approval is given for:

(a) *the Company to issue up to 81,168,828 Shares (**New Shares**) to Notable Pioneer Limited (an entity associated with the Company's Chairman, Mr Hui Ye); and*

(b) *the acquisition of an increased relevant interest in the issued voting shares of the Company by Notable Pioneer Limited, otherwise prohibited by section 606(1) of the Corporations Act by virtue of the issue of New Shares, which will result in Notable Pioneer Limited's voting power in the capital of the Company increasing from 29.56% to 33.60%,*

on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: No votes may be cast in favour of this Resolution by or on behalf of:

(a) the person proposing to make the acquisition and their associates; or

(b) the persons (if any) from whom the acquisition is to be made and their associates.

Accordingly, the Company will disregard any votes cast on this Resolution by Notable Pioneer Limited and any of its associates.

Expert's Report: Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of the Shareholder approval required under Section 611 Item 7 of the Corporations Act. The Independent Expert's Report comments on the fairness and reasonableness of the transactions the subject of this resolution to the non-associated Shareholders in the Company and concluded that the issue of the New Shares is not fair, but reasonable to the non-associated shareholders of the Company.

5. RESOLUTION 5 – APPROVAL TO ISSUE BROKER OPTIONS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 10,000,000 Options on the terms and conditions set out in the Explanatory Statement."*

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Dated: 27 February 2018

By order of the Board
Gary Steinepreis
Director and Company Secretary

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on 1300 291 195

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

1. RESOLUTION 1 AND 2 – ELECTION OF DIRECTORS

5.1 General

The Constitution allows the Directors to appoint at any time a person to be a Director either to fill a casual vacancy or as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Pursuant to the Constitution, any Director so appointed holds office only until the next following general meeting and is then eligible for election by Shareholders.

Mr Ye, having been appointed by other Directors on 1 December 2017 in accordance with the Constitution, will retire in accordance with the Constitution and being eligible, seeks election from Shareholders.

Mr Bearden, having been appointed by other Directors on 14 February 2018 in accordance with the Constitution, will retire in accordance with the Constitution and being eligible, seeks election from Shareholders.

5.2 Resolution 1 – Mr Ye

Qualifications and other material directorships

Mr Ye is the Chairman and President of Beijing Chunhui Yuan Group which is a large and very successful private company with extensive interests in real estate, hotels, natural resources, education and entertainment.

Mr Ye was a graduate of Shenzhen University in 1988 and is a descendant of one of the most influential families in modern China's history.

Independence

Through Notable Pioneer Limited, Mr Ye holds a 50% interest in 394,734,485 fully paid ordinary shares in the Company and 131,578,162 listed Options, and therefore, if elected, the board does not consider Mr Ye will be an independent Director.

5.3 Resolution 2 – Mr Bearden

Qualifications and other material directorships

Mr Bearden has over 25 years of senior management experience in oil and gas exploration, development and production throughout the Gulf of Mexico, Kazakhstan, Indonesia, China, Iraq and West Africa.

He was previously the President and CEO of the ASX listed public company Sino Gas & Energy Holdings (ASX Code: SEH) which under his leadership reached a market capitalization of $375m.

Prior to that role, he was the Operations Director for Addax (a Sinopec subsidiary) and the Production Excellence Manager for the Americas for Hess

Corporation. He began his oil and gas career with Chevron where he worked for 27 years, and held positions including Managing Director Mid-Africa, Sr.Vice President EuroAsia, General Manager Tengizchevroil, and Operations Manager for the Gulf of Mexico.

Mr Bearden has a Bachelor of Engineering degree from Texas A&M and a Master of Petroleum Engineering degree from Tulane University. He also holds a MBA from Purdue University and an International Masters in Management from ESCAP-EAP, Paris. Mr Bearden lives in Texas, USA, and he is a petroleum engineer by profession.

Independence

The Board considers Mr Bearden will be an independent Director.

5.4 Board recommendation

The members of the Board support the re-election of Mr Ye and Mr Bearden and recommend that Shareholders vote in favour of Resolutions 1 and 2.

6. RESOLUTION 3 – RATIFICATION OF PRIOR ISSUE OF PLACEMENT SHARES

6.1 General

As announced on 27 December 2017, the Company is in the process of undertaking a capital raising to raise $8,500,000 via the issue of 132,812,500 Shares at an issue price of $0.064 per Share (**Capital Raising**).

On 5 January 2018, the Company issued 36,018,672 of the Capital Raising Shares and on 27 February 2018, the Company issued a further 15,625,000 of the Capital Raising Shares, to Mr Zhiqiang Shan, the Company's fourth largest Shareholder. The remaining Capital Raising Shares are proposed to be issued to the Company's largest Shareholder, which is the subject of Resolution 4.

Resolution 3 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares issued on 5 January and 27 February 2018 (**Ratification**).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

6.2 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Ratification:

(a) 51,643,672 Shares were issued;

(b) the issue price was $0.064 per Share;

(c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;

(d) the Shares were issued to sophisticated and professional investors. None of these subscribers are related parties of the Company; and

(e) the funds raised from this issue were used for continuation of the Company's leasing of additional acres of oil and gas mineral rights in Presidio County, Texas, USA and for working capital.

7. RESOLUTION 4 – APPROVAL TO ISSUE SHARES TO NOTABLE PIONEER LIMITED

7.1 Background

As announced on 27 December 2017, the Company is in the process of undertaking the Capital Raising.

The Company has entered into a subscription agreement with its largest Shareholder, Notable Pioneer Limited (**NPL**) (an entity associated with the Company's Chairman, Mr Hui Ye), pursuant to which NPL has agreed to subscribe for 81,168,828 Shares under the Capital Raising (**Issue**), subject to the passing of this Resolution on or before 31 March 2018.

7.2 General

Resolution 4 seeks Shareholder approval for the purpose of Item 7 of Section 611 of the Corporations Act and ASX Listing Rule 10.11 to allow the Company to issue 81,168,828 Shares (**New Shares**) to NPL. The issue of the New Shares, when aggregated with the existing Shares held by NPL, will result in NPL's voting power in the Company increasing from 29.56% up to 33.60%.

Pursuant to ASX Listing Rule 7.2 (Exception 16), Listing Rule 7.1 does not apply to an issue of securities approved for the purpose of Item 7 of Section 611 of the Corporations Act. Accordingly, if Shareholders approve the issue of securities pursuant to this Resolution 4, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1.

7.3 Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

(a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and

(a) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The issue of the New Shares constitutes giving a financial benefit and NPL is a related party of the Company by virtue of being controlled by the Company's Chairman, Mr Hui Ye.

The Directors (other than Mr Ye, who has a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of the New Shares on the basis that the New Shares will be issued on the same terms as all Shares issued under the Capital Raising, and would therefore be reasonable in the circumstances if the parties were dealing at arm's length, and further based on the Independent Expert's Report (set out at Annexure A) which concludes that the issue of the New Shares is **not fair, but reasonable** to the non-associated Shareholders.

7.4 ASX Listing Rule 10.11

ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

As the issue of the New Shares to NPL involves the issue of securities to a related party of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

7.5 Item 7 of Section 611 of the Corporations Act

(a) **Section 606 of the Corporations Act – Statutory Prohibition**

Pursuant to Section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

(i) from 20% or below to more than 20%; or

(ii) from a starting point that is above 20% and below 90%,

(**Prohibition**).

(b) **Voting Power**

The voting power of a person in a body corporate is determined in accordance with Section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

(c) **NPL's entitlements in the Company**

NPL currently has an interest in the following Shares and Options in the Company:

Current holdings of NPL:

Shares	Options	Voting Power
394,734,485	131,578,162[1]	29.56%

Following the Issue, NPL's entitlements to the New Shares the subject of this Resolution 4 and resulting voting power in the Company, will be as follows:

Holdings of NPL following the Issue

Shares	Options	Voting Power
475,903,313	131,578,162[1]	33.60%

Notes:

1. Exercisable at $0.02 on or before 31 December 2021.

(d) **Associates**

For the purposes of determining voting power under the Corporations Act, a person (**second person**) is an "associate" of the other person (**first person**) if:

(i) (pursuant to Section 12(2) of the Corporations Act) the first person is a body corporate and the second person is:

(A) a body corporate the first person controls;

(B) a body corporate that controls the first person; or

(C) a body corporate that is controlled by an entity that controls the person;

(ii) the second person has entered or proposes to enter into a relevant agreement with the first person for the purpose of controlling or influencing the composition of the company's board or the conduct of the company's affairs; or

(iii) the second person is a person with whom the first person is acting or proposes to act, in concert in relation to the company's affairs.

Associates are, therefore, determined as a matter of fact. For example where a person controls or influences the board or the conduct of a company's business affairs, or acts in concert with a person in relation to the entity's business affairs.

(e) **Relevant Interests**

Section 608(1) of the Corporations Act provides that a person has a relevant interest in securities if they:

(i) are the holder of the securities;

(ii) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or

(iii) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

In addition, Section 608(3) of the Corporations Act provides that a person has a relevant interest in securities that any of the following has:

(iv) a body corporate in which the person's voting power is above 20%;

(v) a body corporate that the person controls.

(f) **Associates of NPL**

There are no associates (as defined above) of NPL who have or will have a relevant interest in the Company.

7.6 Reason Section 611 Approval is Required

Item 7 of Section 611 of the Corporations Act provides an exception to the Prohibition, whereby a person may acquire a relevant interest in a company's voting shares with shareholder approval.

Following the issue of the New Shares, NPL will have a relevant interest in 475,903,313 Shares in the Company, representing a 33.60% voting power in the Company. This assumes that no other Shares are issued or Options are exercised.

Accordingly, Resolution 4 seeks Shareholder approval for the purpose of Section 611 Item 7, ASX Listing Rule 10.11, and all other purposes to enable the Company to issue the New Shares to NPL.

7.7 Specific Information required by Section 611 Item 7 of the Corporations Act and ASIC Regulatory Guide 74

The following information is required to be provided to Shareholders under the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining approval for Item 7 of Section 611 of the Corporations Act. Shareholders are also referred to the Independent Expert's Report prepared by BDO Corporate Finance (WA) Pty Ltd annexed to this Explanatory Statement.

(a) **Identity of the Acquirer and its Associates**

As set out in Section 7.1 of this Explanatory Memorandum, it is proposed that NPL will be issued the New Shares.

NPL is an investment company whose purpose is to invest in various asset classes on behalf of its clients.

No associates of NPL currently have or will have a relevant interest in the Company.

(b) **Relevant Interest and Voting Power**

The relevant interests of NPL in voting shares in the capital of the Company (both current, and following the issue of the New Shares to NPL as contemplated by this Notice) are set out in the table below:

Party	Relevant Interest at date of this Notice (Shares)	Voting power at date of this Notice	Relevant Interest on issue of New Shares (Shares)	Voting power on issue of New Shares	Relevant Interest on exercise of Existing Options (Shares)	Voting Power on exercise of Existing Options
Notable Pioneer Limited	394,734,485	29.56%	475,903,313	33.60%	607,481,475	39.24%

(i) **Summary of increases**

From the above table, it can be seen that the maximum voting power that NPL will hold after the issue of the New Shares, and subsequent potential exercise of the existing 131,578,162 Options held by NPL (**Existing Options**), is 607,481,475 Shares, being a maximum voting power of 39.24%.

Note that the following assumptions have been made in calculating the above:

(ii) the Company has 1,335,316,636 Shares on issue as at the date of this Notice of Meeting;

(iii) the Company does not issue any additional securities;

(iv) no Options are exercised other than the Existing Options; and

(v) NPL and its associates do not acquire any additional Shares other than on the exercise of the Existing Options.

Further details on the voting power of NPL are set out in the Independent Expert's Report prepared by BDO.

(c) **Reasons for the proposed issue of securities**

The reason for the issue of securities to NPL is to raise $5,194,805 to enable the Company to continue the leasing of additional acres of oil and gas mineral rights in Presidio County, Texas, USA in close proximity to the Company's Presidio Oil Project, and for working capital.

(d) **Date of proposed issue of securities**

If Shareholder approval is obtained, the New Shares will be issued within 5 Business Days following the date of this Meeting, or on such other date as agreed between the Company and NPL.

(e) **Material terms of proposed issue of securities**

As set out in Section 7.1, the Company is proposing to issue 81,168,828 New Shares at a price of $0.064 per Share.

(f) **NPL's Intentions**

Other than as disclosed elsewhere in this Explanatory Statement, the Company understands that NPL:

(i) has no present intention of making any significant changes to the business of the Company;

(ii) has no present intention to inject further capital into the Company;

(iii) has no present intention of making changes regarding the future employment of the present employees of the Company;

(iv) does not intend to redeploy any fixed assets of the Company;

(v) does not intend to transfer any property between the Company and NPL; and

(vi) has no intention to change the Company's existing policies in relation to financial matters or dividends.

These intentions are based on information concerning the Company, its business and the business environment which is known to NPL at the date of this document.

These present intentions may change as new information becomes available, as circumstances change or in the light of all material information, facts and circumstances necessary to assess the operational, commercial, taxation and financial implications of those decisions at the relevant time.

(g) **Changes to the Board**

No changes to the Board are expected as a result of the Issue.

(h) **Interests and Recommendations of Directors**

(i) the Directors (other than Mr Ye who has a material personal interest in Resolution 4) do not have any material personal interests in the outcome of Resolution 4 and unanimously recommend that Shareholders vote in favour of Resolution 4. The Director's recommendations are based on the reasons outlined in section 7.8 below.

(ii) The Directors are not aware of any other information other than as set out in this Notice of Meeting that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 4.

(i) **Capital Structure**

A table showing the Company's current capital structure and the pro forma capital structure on completion of the issue of the New Shares is set out in Schedule 2.

7.8 Advantages of the Issue

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on proposed Resolution 4:

(a) the issue of the New Shares to NPL would provide the Company with additional funds of $5,194,805;

(b) with these additional funds the Company's cash position will increase to approximately $13,500,000 as at the date of this Notice of Meeting;

(c) the funds raised will enable the Company to continue the leasing of additional acres of oil and gas mineral rights in Presidio County, Texas, USA and provide additional working capital;

(d) NPL is a strong institutional shareholder partner who will add value to the Company's strategic goals;

(e) the Independent Expert has concluded that the issue of the New Shares is not fair, but reasonable to the non-associated shareholders.

7.9 Disadvantages of the Issue

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on proposed Resolution 4:

(a) the issue of the New Shares to NPL will increase the voting power of NPL from 29.56% to 33.60%, reducing the voting power of non-associated Shareholders in aggregate from 70.44% to 66.4%; and

(b) there is no guarantee that the Company's Shares will not fall in value as a result of the Issue.

7.10 Independent Expert's Report

The Independent Expert's Report prepared by BDO (a copy of which is attached as Annexure A to this Explanatory Statement) assesses whether the transaction contemplated by Resolution 4 is fair and reasonable to the non-associated Shareholders of the Company.

The Independent Expert's Report concludes that the transaction contemplated by Resolution 4 is **not fair, but reasonable** to the non-associated Shareholders of the Company.

Shareholders are urged to carefully read the Independent Expert's Report to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made.

7.11 Technical Information required by ASX Listing Rule 10.13

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to Resolution 4:

(a) the New Shares will be issued to NPL, which is a related party by virtue of being an entity controlled by the Company's Chairman, Mr Hui Ye;

(b) the maximum number of Shares to be issued is 81,168,828;

(c) the New Shares will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the New Shares will occur on the same date;

(d) the New Shares will be issued for $0.064 per Share;

(e) the funds raised will be used to enable the Company to continue the leasing of additional acres of oil and gas mineral rights in Presidio County, Texas, USA in close proximity to the Company's Presidio Oil Project and for working capital; and

(f) the New Shares to be issued will be fully paid ordinary shares, on the same terms and conditions as the Company's existing Shares.

Approval pursuant to ASX Listing Rule 7.1 is not required for the issue of the New Shares as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of the New Shares will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

7.12 Pro forma balance sheet

A pro forma balance sheet of the Company post the completion of the Issue is set out in Schedule 3.

8. RESOLUTION 5 – APPROVAL TO ISSUE BROKER OPTIONS

8.1 General

Subject to completion of the Capital Raising, the Company has agreed to issue 10,000,000 unlisted Options exercisable at $0.10 each on or before 31 December 2021 (**Broker Options**) to Gleneagle Securities Pty Limited in part consideration for broking services provided in connection with the Capital Raising (**Broker Issue**).

Resolution 5 seeks Shareholder approval for the issue of those Broker Options.

A summary of ASX Listing Rule 7.1 is set out in section 6.1 above.

The effect of Resolution 5 will be to allow the Company to issue the Broker Options during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

8.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Broker Issue:

(a) the maximum number of Options to be issued is 10,000,000;

(b) the Broker Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that the issue of the Broker Options will occur on the same date;

(c) the Broker Options will be issued for nil cash consideration, in part consideration for broking services provided in connection with the Capital Raising;

(d) the Broker Options will be issued on the terms and conditions set out in Schedule 1;

(e) the Broker Options will be issued to Gleneagle Securities Pty Limited, which is not a related party of the Company; and

(f) no funds will be raised from the Broker Issue, as they are being issued in part consideration for broking services provided.

GLOSSARY

$ means Australian dollars.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Capital Raising has the meaning given to it in clause 6.1.

Chair means the chair of the Meeting.

Company means Helios Energy Ltd (ACN 143 932 110).

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the current directors of the Company.

Existing Option means the 131,578,162 Options exercisable at $0.02 on or before 31 December 2021, held by NPL as at the date of this Notice.

Explanatory Statement means the explanatory statement accompanying the Notice.

General Meeting or **Meeting** means the meeting convened by the Notice.

Independent Expert means BDO Corporate Finance (WA) Pty Ltd.

Independent Expert's Report means the Independent Experts Report prepared by the Independent Expert, which is attached to this Notice as Annexure A.

Issue means the proposed issue of New Shares to NPL as outlined in Section 7.1 of the Explanatory Statement.

New Share means a Share being issued by the Company pursuant to the Issue outlined in Section 7.1 of the Explanatory Statement.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

NPL means Notable Pioneer Limited (an entity incorporated in Seychelles, East Africa).

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Prohibition is defined in clause 7.5 of the Explanatory Statement.

Proxy Form means the proxy form accompanying the Notice.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Section means a section of the Explanatory Statement.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of a Share.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – TERMS AND CONDITIONS OF BROKER OPTIONS

(a) **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Price**

Subject to paragraph (i), the amount payable upon exercise of each Option will be $0.10 (**Exercise Price**)

(c) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on 31 December 2021 (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within 15 Business Days after the Exercise Date, the Company will:

(i) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;

(ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and

(iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(i) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(j) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(k) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(l) **Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

SCHEDULE 2 – PRO FORMA CAPITAL STRUCTURE

Securities Event	Shares	Options	Performance Rights
Currently on issue	1,335,316,636	955,117,877[1]	240,000,000
Issue of New Shares	81,168,828	Nil	Nil
Issue of Broker Options	Nil	10,000,000[2]	Nil
Total	**1,416,485,464**	**965,117,877**	**240,000,000**

Notes:

1. Comprising:
   (a) 300,117,877 listed Options exercisable at $0.02 on or before 31 December 2021; and
   (g) 655,000,000 unlisted Options exercisable at $0.02 by on or before 31 December 2021.
2. 10,000,000 unlisted Options exercisable at $0.10 on or before 31 December 2021.

SCHEDULE 3 – PRO FORMA CONSOLIDATED BALANCE SHEET OF COMPANY AS AT 31 DECEMBER 2017

ASSETS	Note	Unaudited management accounts 31 Dec 2017 $	Proforma adjustments $	Proforma Unaudited management accounts 31 Dec 2017 $
Current assets				
Cash and cash equivalents	1	7,631,890	5,868,110	13,500,000
Trade and other receivables		16,097		16,097
Total current assets		**7,647,987**		**13,516,097**
Non-current assets				
Exploration and evaluation expenditure		12,595,960	2,121,890	14,717,750
Total Non-current assets		**12,595,960**		**14,717,750**
Total assets		**20,243,947**		**28,233,847**
LIABILITIES				
Current liabilities				
Trade and other payables		505,506		505,506
Total current liabilities		**505,506**		**505,506**
Total liabilities		**505,506**		**505,506**
NET ASSETS		**19,738,441**		**27,728,341**
EQUITY				
Contributed equity	2	41,492,640	7,990,000	49,482,640
Reserves		26,846		26,846
Accumulated losses		(21,781,045)		(21,781,045)
TOTAL EQUITY		**19,738,441**		**27,728,441**

Notes:

1. Cash and cash equivalents

Balance at 31 December 2017	7,631,890
Placement of 36,018,672 shares @ $0.064	2,305,195
Placement of 15,625,000 shares @ $0.064	1,000,000
Placement of 81,168,828 shares @$0.064	5,194,805
Costs of the placements	(510,000)
Working capital – 1 January to 20 February 2017	(2,121,890)
	13,500,000

Notes:

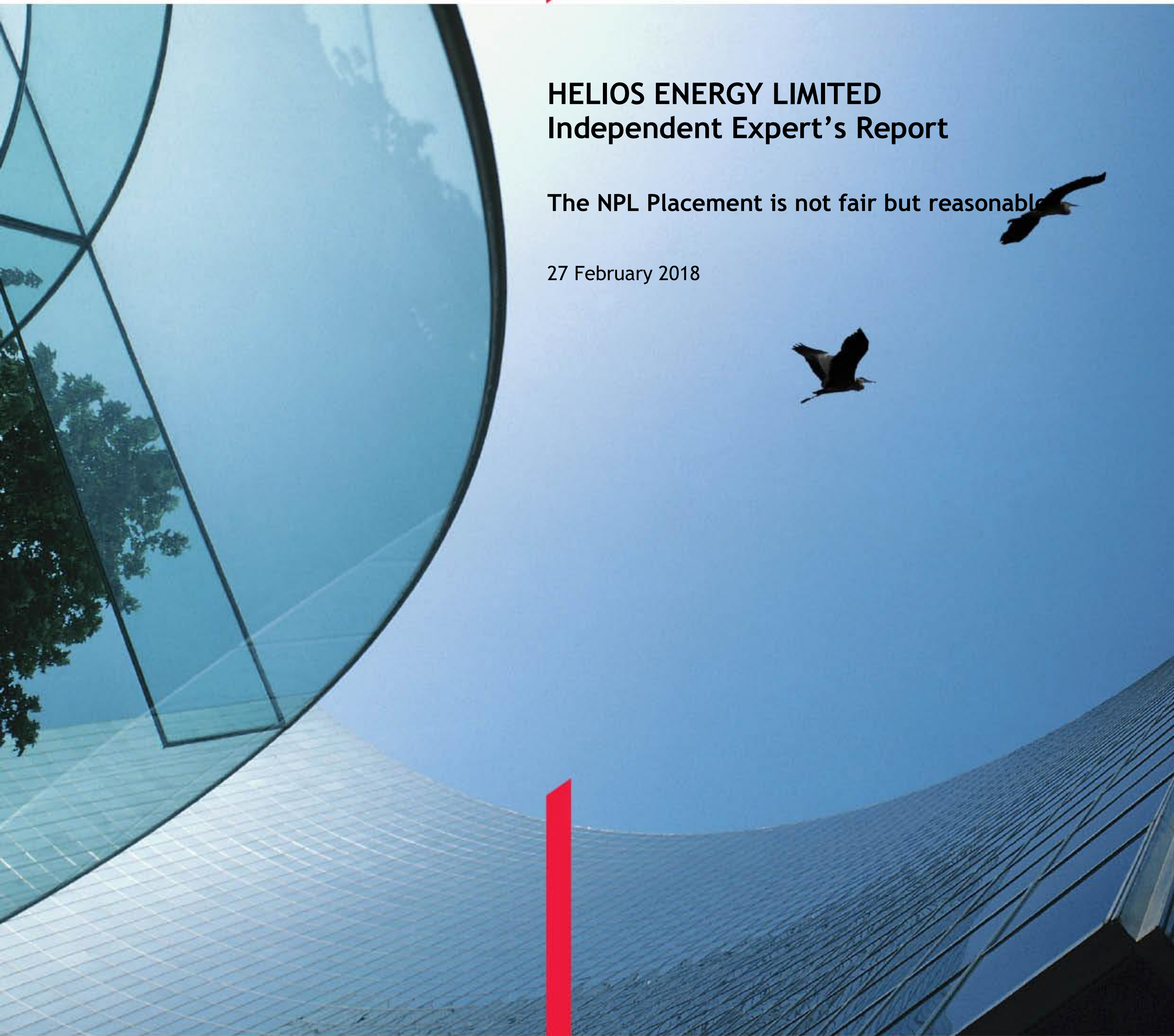
2. Contributed equity

Balance at 31 December 2017	41,492,640
Placement of 36,018,672 shares @ $0.064	2,305,195
Placement of 15,625,000 shares @ $0.064	1,000,000
Placement of 81,168,828 shares @$0.064	5,194,805
Costs of the placements	(510,000)
	49,482,640

HELIOS ENERGY LIMITED
Independent Expert's Report

The NPL Placement is not fair but reasonable

27 February 2018



Financial Services Guide

27 February 2018

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 (‘**we**’ or ‘**us**’ or ‘**ours**’ as appropriate) has been engaged by Helios Energy Limited (‘**Helios**’ or ‘**the Company**’) to provide an independent expert’s report in relation to the capital raising conducted by the Company, under which it raised $8.5 million by the issue of 132,812,500 shares at a price of $0.064 per share to sophisticated and professional investors (‘**Capital Raising**’), including the issue of 81,168,828 shares to Notable Pioneer Limited (‘**NPL**’), a company associated with Helios’ Chairman, Mr Ye (‘**NPL Placement**’). You will be provided with a copy of our report as a retail client because you are a shareholder of Helios.

Financial Services Guide
In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide (‘**FSG**’). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our internal and external complaints handling procedures and how you may access them.

Information about us
BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

Financial services we are licensed to provide
We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice
We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

Fees, commissions and other benefits that we may receive
We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately $24,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Other Assignments
BDO Corporate Finance (WA) Pty Ltd prepared an investigating accountant's report for Helios (formerly New Horizon Coal Limited) dated 16 February 2017, for which BDO Corporate Finance (WA) Pty Ltd was paid $8,000.

BDO Audit and Assurance (WA) Pty Ltd is the appointed Auditor of Helios. We do not consider that this impacts on our independence in accordance with the requirements of Regulatory Guide 112 'Independence of Experts'. We have completed a conflict search of BDO affiliated organisations within Australia. This conflict search incorporates all Partners, Directors and Managers of BDO affiliated organisations. We are not aware of any circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective assistance in this matter.

Remuneration or other benefits received by our employees
All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Helios for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals
We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution
Internal complaints resolution process
As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme
A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ('**FOS**'). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Free call: 1800 367 287
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact details
You may contact us using the details set out on page 1 of the accompanying report.

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

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

27 February 2018

The Directors
Helios Energy Limited
Level 3, 18 Richardson Street
West Perth, WA 6005

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 27 December 2017, Helios Energy Limited (**'Helios'** or **'the Company'**) announced that it was in the process of undertaking an $8.5 million capital raising via the issue of 132,812,500 shares at an issue price of $0.064 per share (**'Placement Price'**) (**'Capital Raising'**). The Company completed the first tranche of the Capital Raising on 5 January 2018, by way of the issue of 36,018,672 shares to sophisticated and professional investors to raise $2.31 million (**'Public Placement'**). On 27 February 2018, the second tranche was completed, under which 15,625,000 shares were issued to the Company's fourth largest shareholder, Mr Zhiqiang Shan, to raise $1.0 million (**'Shan Placement'**). The remaining shares are proposed to be issued pursuant to a subscription agreement with the Company's largest shareholder Notable Pioneer Limited (**'NPL'**), an entity associated with Helios' Chairman, Mr Hui Ye, under which, NPL has agreed to subscribe for 81,168,828 shares under the Capital Raising (**'NPL Placement'**).

As at the date of our report, NPL holds 394,734,485 shares in the Company, representing 29.56% of the issued capital in Helios, on an undiluted basis. NPL also holds 131,578,162 options in Helios, exercisable at $0.02 on or before 31 December 2021 (**'Existing Options'**).

In the event that the NPL Placement is approved by Shareholders, NPL will increase its holding in Helios from 29.56% to 33.60% on an undiluted basis. If NPL were to exercise the Existing Options, its holding in the Company following the NPL Placement would increase to 39.24% on a partially diluted basis and decrease to 25.6% on a fully diluted basis. Accordingly, the NPL Placement requires the approval of the non-associated shareholders of Helios (**'Shareholders'**), pursuant to Section 611 of the Corporations Act 2001 (Cth) (**'Corporations Act'** or **'the Act'**).

Furthermore, the NPL Placement would involve the issue of securities to Mr Hui Ye who holds 50% of the issued capital of NPL. For the purpose of Australian Securities Exchange (**'ASX'**) Listing Rule 10.1 (**'Listing Rule 10.1'**), Mr Hui Ye is considered to be a related party. Listing Rule 10.1 requires that a listed entity must obtain Shareholders' approval before issuing securities to a related party.

Further details of the NPL Placement can be found in Section 4 of our report and the Company's Notice of Meeting.

2. Summary and Opinion

2.1 Purpose of the report

The directors of Helios have requested that BDO Corporate Finance (WA) Pty Ltd ('**BDO**') prepare an independent expert's report ('**our Report**') to express an opinion as to whether or not the NPL Placement is fair and reasonable to Shareholders.

Our Report is prepared pursuant to Section 611 of the Corporations Act and Listing Rule 10.1, and is to be included in the Company's Notice of Meeting in order to assist the Shareholders in their decision whether to approve the NPL Placement.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('**ASIC**') Regulatory Guide 74 'Acquisitions Approved by Members' ('**RG 74**'), Regulatory Guide 111 'Content of Expert's Reports' ('**RG 111**') and Regulatory Guide 112 'Independence of Experts' ('**RG 112**').

In arriving at our opinion, we have assessed the terms of the NPL Placement as outlined in the body of this report. We have considered:

- how the value of a Helios share prior to the NPL Placement on a control basis compares to the Placement Price;
- whether a premium for control is being offered in relation to the issue of Helios shares and whether this is appropriate;
- the likelihood of an alternative offer being made to Helios;
- other factors which we consider to be relevant to the Shareholders in their assessment of the NPL Placement; and
- the position of Shareholders should the NPL Placement not proceed.

2.3 Opinion

We have considered the terms of the NPL Placement as outlined in the body of this report and have concluded that, in the absence of a superior financing arrangement, the NPL Placement is not fair but reasonable to Shareholders.

In our opinion, the NPL Placement is not fair because the value of a Helios share prior to the NPL Placement, on a control basis, is greater than the consideration per Helios share, being the Placement Price. However, we consider the NPL Placement to be reasonable because the advantages of the NPL Placement to Shareholders are greater than the disadvantages.

In particular, we note that the funding received under the NPL Placement will enable the Company to establish a larger contiguous land holding in Presidio County, Texas, United States of America ('**US**'), which may lead to increased economies of scale and improve the viability of any future deposits found, ultimately maximising the potential returns to Shareholders that may arise in the event that a commercial deposit of oil is discovered.

Furthermore, in the event that the NPL Placement is approved by Shareholders, NPL's holding in Helios will increase from 29.56% to a maximum of 39.24%, on a partially diluted basis. Consequently, there will be no material change to NPL's practical level of control in the Company.

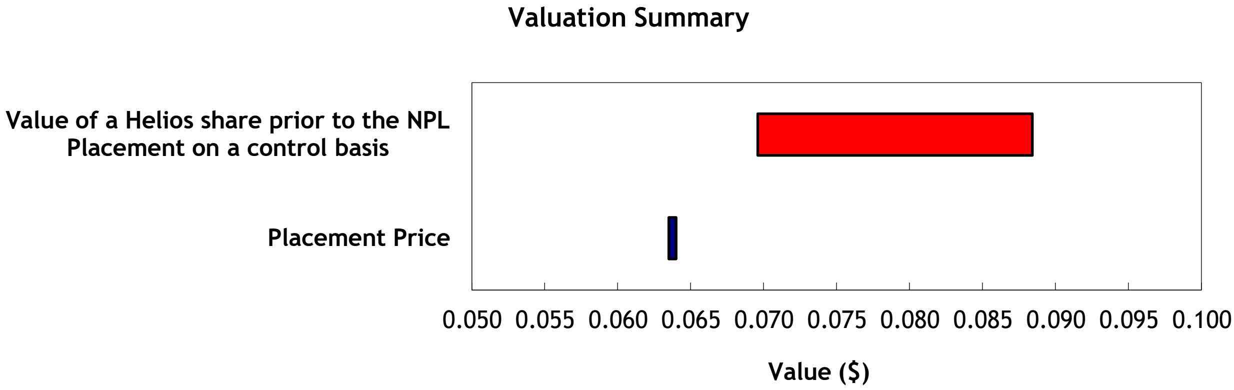
2.4 Fairness

In Section 12 we determined that the value of a Helios share prior to the NPL Placement, on a control basis, is greater than the Placement Price, as detailed below:

Fairness assessment	Ref	Low value $	Preferred value $	High value $
Value of a Helios share prior to the NPL Placement on a control basis	10.1	0.070	0.079	0.088
Placement Price	11	0.064	0.064	0.064

Source: BDO analysis

The above valuation ranges are graphically presented below:



Source: BDO analysis

The above pricing indicates that, in the absence of any other relevant information, and an alternate offer, the NPL Placement is not fair to Shareholders.

2.5 Reasonableness

We have considered the analysis in Section 13 of this report, in terms of both:

- advantages and disadvantages of the NPL Placement; and
- other considerations, including the position of Shareholders if the NPL Placement does not proceed and the consequences of not approving the NPL Placement.

In our opinion, the position of Shareholders if the NPL Placement is approved, is more advantageous than the position if the NPL Placement is not approved. Accordingly, in the absence of any other relevant information and/or an alternate proposal, we believe that the NPL Placement is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantage	Section	Disadvantages
13.1.1	Provides substantial funding required to acquire additional acreage of oil and gas mineral rights in Presidio County	13.2.1	Dilution of Shareholders' interests

ADVANTAGES AND DISADVANTAGES			
Section	Advantage	Section	Disadvantages
13.1.2	The Placement Price is at a premium to the Company's current share price		
13.1.3	No material change in NPL's practical level of control		
13.1.4	Strengthens Helios' relationship with its cornerstone investors		

Other key matters we have considered include:

Section	Description
13.3	Alternative proposal
13.4	Post-announcement pricing

3. Scope of the Report

3.1 Purpose of the Report

Section 611

As at the date of our report, NPL (and its associates) together own 29.56% of the issued shares in Helios. Section 606 of the Corporations Act expressly prohibits the acquisition of further shares by a party who already holds (with associates) more than 20% of the issued shares of a public company, unless a full takeover offer is made to all shareholders.

Section 611 permits such an acquisition if the shareholders of that entity have agreed to the issue of such shares. This agreement must be by resolution passed at a general meeting at which no votes are cast in favour of the resolution by any party who is associated with the party acquiring the shares, or by the party acquiring the shares. Section 611 states that shareholders of the company must be given all information that is material to the decision on how to vote at the meeting.

RG 74 states that the obligation to supply shareholders with all information that is material can be satisfied by the non-associated directors of the Company, by either:

- undertaking a detailed examination of the NPL Placement themselves, if they consider that they have sufficient expertise, experience and resources; or
- by commissioning an Independent Expert's Report.

The directors of Helios have commissioned this Independent Expert's Report to satisfy this obligation.

Listing Rule 10.1

Listing Rule 10.1 requires that a listed entity must obtain shareholders' approval before issuing or agreeing to issue equity securities to a related party. For the purpose of Listing Rule 10.1, Mr Hui Ye who holds a 50% interest in NPL, is considered to be a related party. Listing Rule 10.10.2 requires the Notice of Meeting for Shareholders' approval to be accompanied by a report by an independent expert expressing their opinion as to whether the transaction is fair and reasonable to the Shareholders whose votes are not to be disregarded.

Accordingly, an independent experts' report is required for the NPL Placement. The report should provide an opinion by the expert stating whether or not the terms and conditions in relation thereto are fair and reasonable to non-associated shareholders of Helios.

3.2 Regulatory guidance

Neither the Listing Rules nor the Corporations Act defines the meaning of 'fair and reasonable'. In determining whether the NPL Placement is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

This regulatory guide suggests that where the transaction is a control transaction, the expert should focus on the substance of the control transaction rather than the legal mechanism used to effect it. RG 111 suggests that where a transaction is a control transaction, it should be analysed on a basis consistent with a takeover bid.

In our opinion, the NPL Placement is a control transaction as defined by RG 111 and we have therefore assessed the NPL Placement as a control transaction to consider whether, in our opinion, it is fair and reasonable to Shareholders.

3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is equal to or greater than the value of the securities subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. When considering the value of the securities subject of the offer in a control transaction it is inappropriate for the expert to apply a discount on the basis that the shares being acquired represent a minority or portfolio interest as such the expert should consider this value inclusive of a control premium. Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in two parts:

- a comparison between the value of a Helios share prior to the NPL Placement, on a control basis, and the Placement Price (fairness – see Section 12 'Is the NPL Placement Fair?'); and
- an investigation into other significant factors to which Shareholders might give consideration, prior to approving the NPL Placement, after reference to the value derived above (reasonableness – see Section 13 'Is the NPL Placement Reasonable?').

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('**APES 225**').

A Valuation Engagement is defined by APES 225 as follows:

'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

4. Outline of the NPL Placement

On 27 December 2017, Helios announced that it was in the process of undertaking an $8.5 million capital raising via the issue of 132,812,500 shares at an issue price of $0.064 per share. On 5 January 2018, the Company completed the Public Placement of 36,018,672 shares to sophisticated and professional investors to raise $2.31 million. The Company subsequently completed the Shan Placement on 27 February 2018, under which 15,625,000 shares were issued to the Company's fourth largest shareholder, Mr Zhiqiang Shan, to raise $1.0 million. The remaining shares are proposed to be issued pursuant to a subscription agreement with the Company's largest shareholder NPL, an entity associated with Helios' Chairman, Mr Hui Ye, under which, NPL has agreed to subscribe for 81,168,828 shares under the Capital Raising.

As at the date of our report, NPL holds 394,734,485 shares in the Company, representing 29.56% of the issued capital in Helios, on an undiluted basis. NPL also holds 131,578,162 Existing Options in Helios, exercisable at $0.02 on or before 31 December 2021.

In the event that the NPL Placement is approved by Shareholders, NPL will increase its holding in Helios from 29.56% to 33.60% on an undiluted basis. If NPL were to exercise the Existing Options, its holding in the Company following the NPL Placement would increase to 39.24% on a partially diluted basis and decrease to 25.6% on a fully diluted basis. We note that at the date of our report there are 240,000,000 performance rights on issue to parties other than NPL, which have non-market based vesting conditions. We do not have reasonable grounds to assume that these vesting conditions will be met and therefore, have not included the performance rights in our dilution scenarios. The potential capital structure following approval of the NPL Placement and exercise of the Existing Options is set out in the table below:

Capital structure following the NPL Placement	Shareholders	NPL	Total
Number of shares on issue prior to the NPL Placement			
Shares on issue as at the date of our report	940,582,151	394,734,485	1,335,316,636
% holding prior to the NPL Placement	70.44%	29.56%	100.00%
Number of shares on issue following the NPL Placement (undiluted basis)			
Shares on issue prior to the NPL Placement	940,582,151	394,734,485	1,335,316,636
Shares issued under the NPL Placement	-	81,168,828	81,168,828
Total number of shares on issue following the NPL Placement (undiluted basis)	940,582,151	475,903,313	1,416,485,464
% holding following the NPL Placement (undiluted basis)	66.40%	33.60%	100.00%
Number of shares on issue following the NPL Placement (partially diluted basis)			
Shares on issue following the NPL Placement (undiluted basis)	940,582,151	475,903,313	1,416,485,464
Existing Options on issue to NPL	-	131,578,162	131,578,162
Total number of shares on issue following the NPL Placement (partially diluted basis)	940,582,151	607,481,475	1,548,063,626
% holding following the NPL Placement (partially diluted basis)	60.76%	39.24%	100.00%
Number of shares on issue following the NPL Placement (fully diluted basis)			
Shares on issue following the NPL Placement (partially diluted basis)	940,582,151	607,481,475	1,548,063,626
Options on issue to Shareholders	823,539,715	-	823,539,715
Total number of shares on issue following the NPL Placement (fully diluted basis)	1,764,121,866	607,481,475	2,371,603,341
% holding following the NPL Placement (fully diluted basis)	74.39%	25.61%	100.00%

Source: BDO analysis

Further details of the NPL Placement are disclosed in the Company's Notice of Meeting.

5. Profile of Helios

5.1 Background

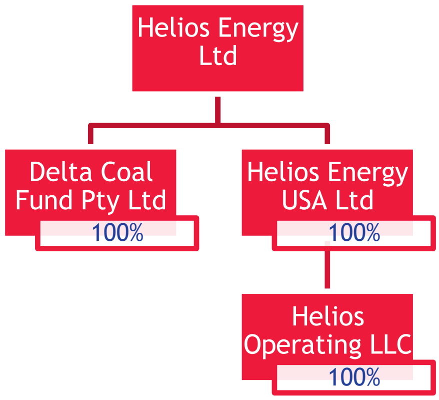
Helios, formerly New Horizon Coal Limited, is an oil and gas exploration company with operations in the US. The Company holds interest in two projects located in Texas, the Trinity Oil Project ('**the Trinity Project**') and the Presidio Oil Project ('**the Presidio Project**'). Helios was listed on the ASX in 2010 and has its head office located in West Perth, Western Australia.

The Company's current board members and senior management are:

- Hui Ye - Chairman;
- Richard He – Managing Director;
- Nicholas Ong – Non-Executive Director
- Robert Bearden – Non-Executive Director; and
- Gary Steinepreis – Non-Executive Director and Company Secretary.

Helios is the parent company to three wholly owned subsidiaries: Helios Energy USA, which owns the Trinity and Presidio Projects and is the holding company for Helios Operating LLC, and dormant subsidiary Delta Coal Fund Pty Ltd.

The diagram below illustrates the corporate structure of Helios and its controlled entities:



Source: Helios' Annual Report for the year ended 30 June 2017

5.2 Recent Corporate Events

On 13 October 2015, Helios was suspended from official quotation for failing to comply with Chapter 12 of the ASX Listing Rules, which relates to on-going requirements for listed ASX companies. The suspension lasted for a period of 22 months.

On 5 January 2017, while under suspension from the ASX, Helios entered into conditional agreements for the acquisition of the Trinity and Presidio Projects. Consideration for the acquisitions consisted of cash and shares in Helios.

On 16 February 2017, Helios lodged a re-compliance prospectus for the purposes of satisfying Chapters 1 and 2 of the ASX Listing Rules and to satisfy the ASX requirement for re-admission to the official list following a change in nature and scale of the Company's activities. The prospectus comprised a non-renounceable entitlement issue of eight shares for every one share held by those shareholders registered at the record date, at an issue price of $0.02 per share to raise up to $18.88 million, together with one free attaching option exercisable at $0.02 on or before 31 December 2021 for every three new shares subscribed to and issued. The Company also proposed a 2-for-1 consolidation of capital under the prospectus.

On 17 March 2017, the Company entered into an agreement with stockbroking firm CPS Capital Group Pty Ltd (**'CPS Capital'**) in which CPS Capital underwrote, $13.00 million of the $18.88 million entitlement offer, which was announced on 16 February 2017. Pursuant to the underwriting agreement, Helios issued a supplementary prospectus dated 17 March 2017.

On 17 June 2017, Helios announced it had applied to the Federal Court of Australia to extend the quotation period relating to the prospectus dated 16 February 2017 and supplementary prospectus dated 17 March 2017. On 28 June 2017, the extension was granted until 19 July 2017.

On 18 July 2017, the quotation period relating to the prospectus and supplementary prospectus was further extended to 11 August 2017.

On 11 August 2017, Helios was reinstated to official quotation following a capital raising of $18.01 million and re-compliance with ASX Listing Rules. The capital raising included the issue of 1,018,592,936 ordinary shares and 300,197,878 options exercisable at $0.02 each, expiring on 31 December 2021.

On 27 December 2017, Helios announced the Capital Raising of $8.50 million from the issue of 132,812,500 shares at $0.064 per share. The Capital Raising comprised the NPL Placement, Public Placement and Shan Placement.

On 5 January 2018, the Public Placement was completed, in which 36,018,672 shares were issued at $0.064 per share to raise $2.31 million.

On 27 February 2018, the Shan Placement was completed, in which 15,625,000 shares were issued at $0.064 per share to raise $1.00 million.

5.3 Project Overview

Trinity Project

Located approximately 160km north east of Houston, Texas, the Trinity Project is situated at the intersection of the Trinity, Houston and Walker counties and comprises 3,118 net acres of oil and gas leases. The Trinity Project is prospective for oil and gas in the Woodbine, Eagle Ford, Buda and Glen Rose formations, with surrounding areas well established in crude oil and natural gas production. The Trinity Project contains both conventional and unconventional oil reservoirs, however, the majority of expected target formations may be classified as unconventional, tight oil reservoirs.

In January 2017, Helios entered into an agreement for the acquisition of a 100% working interest in the Trinity Project's mineral rights, in addition to a 75% net revenue interest for consideration of $0.99 million US dollars (**'US$'**) cash and 192 million fully paid ordinary shares in Helios, following a 2-for-1 consolidation of capital. Helios completed the acquisition of the Trinity Project in April 2017 after satisfying the conditions of the agreement. Subject to successful drilling, Helios plans to purchase additional leases from the vendors in exchange for a 5% overriding gross revenue royalty interest on the leases.

Presidio Project

In January 2017, Helios also entered into a conditional agreement to acquire 70% working interest and 75% net revenue interest in the Presidio Project. Consideration for the acquisition was US$0.46 million cash, 48 million shares and 240 million performance rights, conditional upon Helios drilling three wells at a total cost of at least US$1.50 million, or before 31 December 2017.

At the time of purchase, the Presidio Project comprised an area of 6,280 net acres prospective for oil in the Edwards, Olmos and Eagle Ford formations, in Presidio County of South Texas. While drilling in nearby areas is sparse, a number of producing wells have previously been established in the Edwards formation and local initial testing has returned light oil with some associated gas.

Drilling at the Presidio Project commenced in April 2017 and well testing is currently underway at the first two wells. Helios has since been granted an extension to drill the third well until 30 April 2017. Further leases may be acquired and oil wells established, with Helios absorbing 70% of the cost and the vendors or their nominees contributing the remaining 30%.

5.4 Consolidated Statements of Financial Position

Consolidated Statement of Financial Position	Audited as at 30-Jun-17 $	Audited as at 30-Jun-16 $	Audited as at 30-Jun-15 $
CURRENT ASSETS			
Cash and cash equivalents	8,617,443	577,847	778,658
Trade and other receivables	62,836	1,846	3,048
TOTAL CURRENT ASSETS	**8,680,279**	**579,693**	**781,706**
NON-CURRENT ASSETS			
Exploration and evaluation expenditure	9,533,522	-	-
TOTAL NON-CURRENT ASSETS	**9,533,522**	**-**	**-**
TOTAL ASSETS	**18,213,801**	**579,693**	**781,706**
CURRENT LIABILITIES			
Trade and other payables	1,269,297	19,798	32,524
TOTAL CURRENT LIABILITIES	**1,269,297**	**19,798**	**32,524**
TOTAL LIABILITIES	**1,269,297**	**19,798**	**32,524**
NET ASSETS	**16,944,504**	**559,895**	**749,182**
EQUITY			
Contributed equity	37,644,468	20,372,705	20,372,705
Reserves	24,386	2,166,104	2,166,812
Accumulated losses	(20,724,350)	(21,978,914)	(21,790,335)
TOTAL EQUITY	**16,944,504**	**559,895**	**749,182**

Source: Helios' audited financial statements for the years ended 30 June 2015, 30 June 2016 and 30 June 2017

We note that Helios' auditor issued an unmodified audit report with no qualifications for the years ended 30 June 2015, 30 June 2016 and 30 June 2017.

Commentary on Consolidated Statements of Financial Position

We note the following in relation to the Company's consolidated statements of financial position:

- Cash and cash equivalents increased from $0.58 million as at 30 June 2016 to $8.62 million at 30 June 2017. The increase of $8.04 million was primarily attributable to $13.00 million from the issue of shares which was partially offset by payments for exploration and evaluation of $3.91 million and payments to suppliers and employees of $0.80 million.
- Exploration and evaluation expenditure of $9.53 million as at 30 June 2017 comprised $6.74 million relating to the acquisition of the Trinity and Presidio Projects and exploration costs of $2.84 million, which were offset by a foreign currency translation loss of $0.05 million.
- Contributed equity increased from $20.37 million as at 30 June 2016 to $37.64 million as at 30 June 2017 as a result of the issue of shares to raise $11.97 million net of transaction costs, $4.80 million in shares issued in consideration for the acquisition of the Trinity and Presidio Projects, and $0.50 million in shares issued as consideration for broker services.
- Reserves decreased from $2.17 million as at 30 June 2016 to $0.24 million as at 30 June 2017. This primarily relates to $1.68 million in foreign currency translation gain upon disposal of a subsidiary, which was realised and transferred from the foreign currency reserve to profit and loss. A further $0.38 million related to exchange differences on the translation of foreign operations.

5.5 Consolidated Statements of Profit or Loss and Other Comprehensive Income

Consolidated Statement of Profit or Loss and Other Comprehensive Income	Audited for the year ended 30-Jun-17 $	Audited for the year ended 30-Jun-16 $	Audited for the year ended 30-Jun-15 $
Revenue			
Revenue from operations	16,438	8,455	13,155
Net gain on disposal of subsidiary	1,681,417	-	-
Reversal of share based payments expense	-	-	3,300,000
Expenses			
Administration costs	(535,385)	(25,920)	(58,732)
Corporate compliance costs	(56,702)	(23,669)	(36,782)
Corporate management fees	(24,000)	(20,000)	(6,000)
Salaries and superannuation paid	(67,800)	(56,499)	(62,308)
Audit and non-audit service fees	(34,200)	(25,624)	(38,163)
Occupancy costs	-	-	(6,000)
Closure costs for Kinney Coal Project	-	(45,322)	-
Impairment of exploration costs	-	-	(98,592)
Loss before income tax	**979,768**	**(188,579)**	**3,006,578**
Income tax expense	-	-	-
Exchange differences on translation	(2,065,722)	(708)	18,630
Total comprehensive loss for the year	**(1,085,954)**	**(189,287)**	**3,025,208**

Source: Helios' audited financial statements for the years ended 30 June 2015, 30 June 2016 and 30 June 2017

Commentary on Consolidated Statement of Profit or Loss and Other Comprehensive Income

We note the following in relation to the Company's consolidated statements of profit or loss and other comprehensive income:

- The net gain on disposal of subsidiary of $1.68 million for the year ended 30 June 2017 related to the deconsolidation of Helios' 100% interest in its subsidiary, Wasatch Natural Resources LLC, via voluntary cancellation and deregistration in December 2016. This gain takes into account the foreign currency translation gain of $1.68 million, which was realised and transferred from the foreign currency reserve to profit and loss.
- For the year ended 30 June 2015, the $3.30 million reversal of share based payments expense related to unvested shares, which the directors of the Company reassessed the likelihood of their vesting conditions being met as nil.
- Administration costs increased from $0.03 million for the year ended 30 June 2016 to $0.54 million for the year ended 30 June 2017. The increase of $0.51 million related primarily to an increase in the US based personnel costs incurred following the acquisition of the Trinity and Presidio Projects.
- Exchange differences on translation of $2.07 million for the year ended 30 June 2017 were primarily attributable to the reduction of the foreign currency reserve of $1.68 million upon loss of control of a subsidiary, and a foreign currency translation loss of $0.38 million.

5.6 Capital Structure

The share structure of Helios as at 27 February 2018 is outlined below:

	Number
Total ordinary shares on issue	1,335,316,636
Top 20 shareholders	1,015,779,931
Top 20 shareholders - % of shares on issue	76.07%

Source: Helios' share register

The range of shares held in Helios as at 27 February 2018 is as follows:

Range of shares held	Number of ordinary shareholders	Number of ordinary shares	Percentage of issued shares
1 - 1,000	18	3,384	0.00%
1,001 - 5,000	77	359,186	0.03%
5,001 - 10,000	58	509,736	0.04%
10,001 - 100,000	377	20,202,367	1.51%
100,001 - and over	387	1,314,241,963	98.42%
Total	917	1,335,316,636	100.00%

Source: Helios' share register

The ordinary shares held by the most significant shareholders as at 27 February 2018 are detailed below:

Name	Number of ordinary shares held	Percentage of issued shares
Notable Pioneer Limited	394,734,485	29.56%
Mr Zhiqiang Shan	81,975,528	6.14%
Loyal Express International Limited	79,299,220	5.94%
PAA Energy LLC	75,138,072	5.63%
Subtotal	**631,147,305**	**47.27%**
Others	704,169,331	52.73%
Total ordinary shares on Issue	**1,335,316,636**	**100.00%**

Source: Helios' share register

The options and performance rights on issue in Helios as at 27 February 2018 are detailed below:

Options and performance rights on issue	Number
Options exercisable at $0.02 on or before 31 December 2021	955,117,877
Performance rights expiring on or before 31 December 2021	240,000,000

Source: Helios' option and performance rights register

6. Profile of NPL

6.1 Background

NPL is an investment company registered in Seychelles, in which Helios' Chairman, Mr Hui Ye holds a 50% interest.

NPL currently owns 394,734,485 shares equating to a 29.56% voting interest in Helios. NPL also holds 131,578,162 Existing Options in Helios, exercisable at $0.02 on or before 31 December 2021. If the NPL Placement is approved by Shareholders, NPL will hold an interest of 33.60% and 39.24% in Helios, on an undiluted and partially diluted basis, respectively.

6.2 Mr Hui Ye

Mr Ye was appointed as a director and Chairman of Helios on 1 December 2017. Through NPL, he holds a 50% interest in the 394,734,485 fully paid ordinary shares in Helios and 131,578,162 listed options with an exercise price of $0.02, expiring on 31 December 2021.

Mr Ye is also the Chairman and President of Beijing Chunhui Yuan Group, a private company with interests across the real estate, hospitality, education, entertainment and natural resource sectors.

7. Economic analysis

7.1 Global

Conditions in the global economy have improved over the past year, with growth exhibited across a broad range of economies. Advanced economies have continued to strengthen and growth in China has been strong, which has facilitated trade and growth in highly trade-exposed economies in east Asia.

Recently, the World Bank revised its growth expectations for China upwards from 6.5% to 6.7% due to factors such as an improved external environment and strengthening domestic demand. However, this growth is expected to moderate in 2018 and 2019 as increased efforts are made to rebalance the economy away from investment and external demand, and towards domestic consumption. Furthermore, Chinese authorities have announced measures to curtail winter steel production in a number of heavily polluted regions to meet annual air quality targets. This may have the effect of reducing Chinese demand for bulk commodities over the coming months.

The US economy also maintained a robust pace of growth in the third quarter of 2017, with gross domestic product ('**GDP**') increasing at an annual rate of 3.0%, compared to the forecast of a 2.5% increase.

Commodity prices

Prices of industrial commodities continued to strengthen in the September 2017 quarter (compared to the September 2016 quarter), while most agricultural prices remained broadly stable. The iron ore spot price has declined from recent highs, with weaker sentiment in the market fuelled partly by impending cuts to steel production in China that have been mandated to improve environmental outcomes.

Energy prices increased by 2.0% in the September 2017 quarter (compared to the September 2016 quarter), largely due to a 17% increase in coal prices, which was largely a result of China's environmentally-motivated measures to cut back on coal production.

Metals prices surged by approximately 10% in the September 2017 quarter due to strengthening demand resulting from China's needs for various metals to support its property, infrastructure and manufacturing sectors. This was also coupled with supply constraints due to targeting excess capacity enforced by Chinese authorities.

7.2 Australia

Domestic growth

The Australian economy expanded by 0.8% in the June 2017 quarter, with growth slowing in the September 2017 quarter. However, the economy is expected to strengthen over the coming years, which will further reduce spare capacity in the labour market and lead to a gradual increase in wage growth and inflation.

Inflation in the country remains below the Reserve Bank of Australia's ('**RBA**') target of 2% to 3%, with headline inflation of 1.8% recorded over the year ended 30 September 2017. As noted above, this is expected to pick up gradually as the economy strengthens.

Housing market conditions continue to differ between states, with prices increasing in some markets and conditions starting to ease in others, such as Sydney. Housing credit growth has eased a little, and the profile of new lending has shifted away from interest only and other forms of riskier lending. This suggests that recent measures introduced by the Australian Prudential Regulatory Authority are assisting in targeting the risks associated with household balance sheets. However, household debt still remains high and continues to increase at a rate faster than household income.

Currency movements

The Australian dollar has appreciated since the middle of the year, partially reflecting a weakening of the US Dollar. This higher exchange rate is expected to contribute to the subdued price pressures in the economy, and is also impacting the outlook for output and employment.

Outlook

The outlook for the Australian economy based on the September 2017 quarter is little changed from that of the June 2017 quarter. Growth in resource exports is expected to largely offset the diminishing drag from lower levels of mining investment. Along with other categories of exports, the mining sector is expected to contribute to economic growth over the next few years.

In terms of business investment, the outlook is more positive than what it has been historically. Overall, growth is forecast by the RBA to average approximately 3% over the next few years.

Source: www.rba.gov.au *Statement by Philip Lowe, Governor: Monetary Policy Decision 7 November 2017,* www.worldbank.org *Commodity Markets Outlook, October 2017*

7.3 US

Economic growth in the US strengthened in mid-2017 following a lull in growth in 2015 and 2016, resulting from a prolonged period of low global oil prices and US exchange rate appreciation. Growth continued for the remainder of 2017 and is projected to increase at around 2.0% annually throughout 2018 and 2019. Furthermore, after a period of heightened global volatility in early 2016, which subsequently saw risk spreads for corporate bonds in the US rise, financial conditions have now stabilised and corporate bond yields have returned to normal levels, remaining relatively stable throughout 2017.

Overall, US economic activity expanded moderately throughout 2017. The level of household and business spending rose in the first quarter of 2017 and remained strong throughout the year, reflecting favourable consumer and business sentiment. This is often a precursor to future real GDP growth and a positive sign, considering real GDP growth temporarily slowed in the first half of 2017. The housing sector is also showing signs of strengthening, as is business investment, while financing conditions remain favourable for investors.

The US labour market also strengthened throughout 2017 as unemployment fell to 4.1%, its lowest rate since 2000. In the second half of 2017 unemployment remained near its minimum attainable level and while wage growth was modest, it is predicted to improve in 2018 as fiscal policy becomes more supportive. With this strengthening of the labour market it is expected that the US Federal Reserve will gradually remove monetary policy accommodation which has been in place since the Global Financial Crisis (‘**GFC**’).

The low oil prices of 2015 and 2016 also saw a period of very low inflation in the US, which eased during 2017. After briefly reaching the Federal Open Market Committee’s (‘**FOMC**’) long-run inflation target of 2% in early 2017, inflation has since hovered slightly below the target at 1.8%. As unemployment is expected to remain low and wage growth improves, the FOMC predicts that inflation will reach its 2% target and stabilize over the mid-term.

Overall, monetary policy in the USA remains accommodative, supporting further strengthening in the labour market and a return to the 2% inflation target. In 2017, the US Federal Reserve raised the interest rate over consecutive quarters, for the first time since the GFC. After lingering at 0.5% since 2015, interest rates now stand at 1.5% as of December 2017 and are expected to reach 2% in 2018 and up to 3% by 2020.

Source: www.federalreserve.gov *Statement by Federal Open Market Committee: Monetary Policy Decision* 7 July 2017 and www.oecd.org *US Economic Forecast Summary* November 2017

8. Industry analysis

8.1 Global Oil and Gas Industry

The primary products of the oil and gas industry are crude oil and natural gas, and to a lesser extent, liquefied petroleum gas, coal seam gas and shale oil and gas. Historically, oil and gas have been extracted from “conventional” plays in which the hydrocarbons are trapped by an overlying layer of permeable rock allowing for traditional extraction methods. However, oil and gas can also be found in other geological settings, such as shale formations. Shale oil and gas resources are formed within the organic rich shale source rock. As the low permeability of the shale inhibits the oil and gas from migrating to permeable reservoir rocks, shale oil and gas is often referred as ‘unconventional’ plays or ‘tight’ oil and gas.

Over the last decade, there has been significant growth in unconventional resource development due to breakthroughs in technology, which have resulted in resources located in shale and other tight formations becoming commercially viable. In 2017, global oil production totalled 4.38 billion tonnes or 92.15 million barrels daily, an increase of almost 0.5 million barrels daily on the year prior, driven largely by the continued development of shale oil.

While the growth, cost and risk profiles of oil and gas industry products may vary, depending on the method and technology necessary for extraction, commodities are generally traded on the same market once extracted. The global oil and gas industry is therefore one of the largest in the world, and as is inherent to large markets, the industry is dominated by large highly integrated companies. The scale of operations and the significant capital investment required to bring fields into production represent very high barriers to entry.

Oil is the world's leading fuel, accounting for one-third of global energy consumption, although overall demand has been in a declining trend since 2005. The transport sector including road, rail, sea and air, currently accounts for approximately 60% of global oil consumption, and as a result, demand for oil is largely influenced by global economic growth. Global oil consumption increased by 1.5% to total 4.42 billion tonnes in 2017, led by the US, China and India.

Demand for natural gas is predominantly related to energy consumption for both industrial and household electricity production. In 2017, global production totalled 3.55 trillion cubic meters ('**m^3**'), remaining generally steady from 2016. Consumption of natural gas increased by 1.5% in 2017, weaker than its 10-year average increase of 2.5%, to total 3.54 trillion m^3, led by the US, Russia and China.

8.2 US Oil and Gas Industry

The US holds 4.7% of global proved oil reserves and 2.8% of global natural gas proved reserves. Texas currently leads the country in both production and reserves, accounting for more than one third of oil reserves and one quarter of natural gas reserves.

In 2016, the US was world's largest producer of natural gas and third largest producer of oil, accounting for 21.1% and 12.4% of global production, respectively. The combined industry contributed US$162.10 billion (0.9%) to the GDP of the US. This contribution is anticipated to increase in 2018 as natural gas production continues increasing and US oil production is expected to reach record highs.

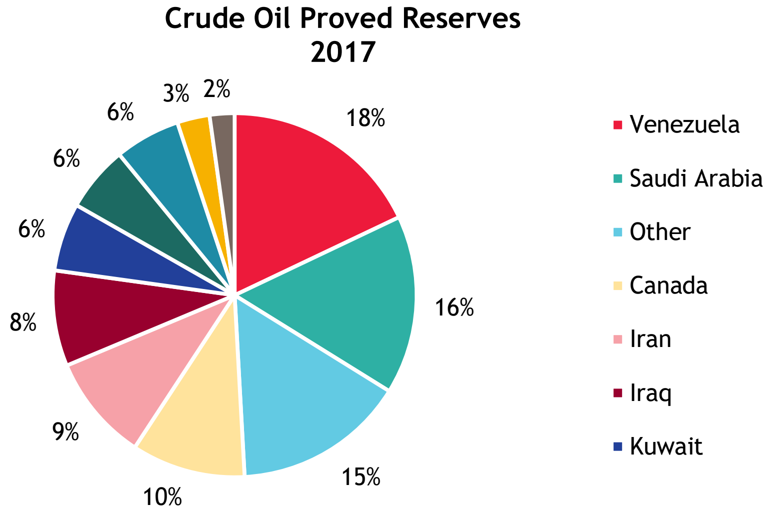
Total US oil production in 2016 was 543 million tonnes, declining 4.2% on the previous year for the first time since 2008. Despite the overall decline, tight oil development has increased steadily in recent years and now accounts for approximately 60% of cumulative production. In 2016, natural gas production also decreased for the first time in over a decade, totalling 749.2 billion m^3, a decline of 2.5% on 2015. The short and long-term forecast for natural gas however is positive as production, consumption and exports are predicted to follow the recent growing trend through to 2040. Oil for fuel consumption however, is predicted to follow a declining trend through to 2040.

Overall, the US is a net oil importing country. While imports are predicted to increase over the period 2016-2020, the proportion of oil exported is set to increase in coming years as domestic production increases, transforming the US into a net exporter of oil by the late 2020's. By 2025, the International Energy Association ('**IEA**') predicts that the US will account for 80% of the increase in global oil supply and will become the world's largest liquefied natural gas exporter.

8.3 Global Reserves

Crude Oil

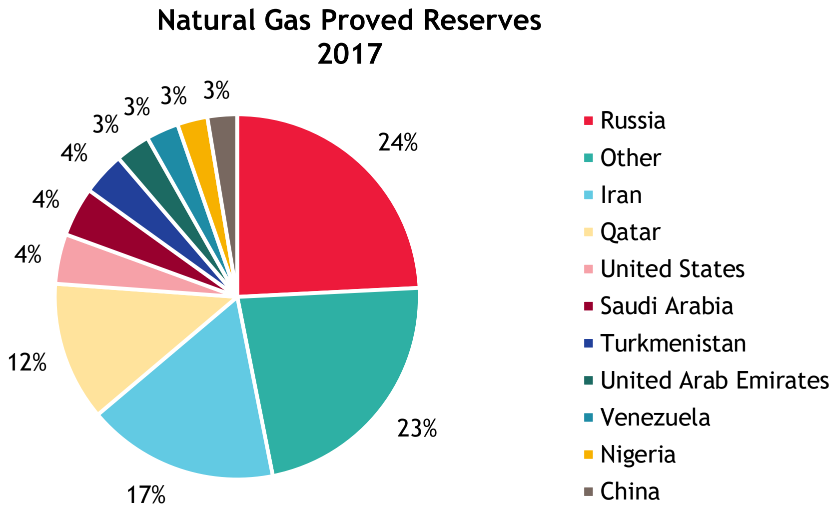
At the start of 2017, proved global oil reserves stood at 1677 billion barrels, with the top 10 countries contributing 85% of total proven reserves. Global oil reserves have more than doubled over the past 35 years, contrasting with the slowing growth in oil demand. At the current global production rate, this is sufficient to sustain production for 50 years.



Source: www.cia.gov World Factbook, updated January 2017

Natural Gas

Technically recoverable natural gas resource at the start of 2017 was measured at 197 trillion m^3. Russia, Iran and Qatar were the biggest regions, collectively representing 53% of total recoverable natural gas resource. Like oil, at the current production rate, the known resource is sufficient to meet 50 years of global production.

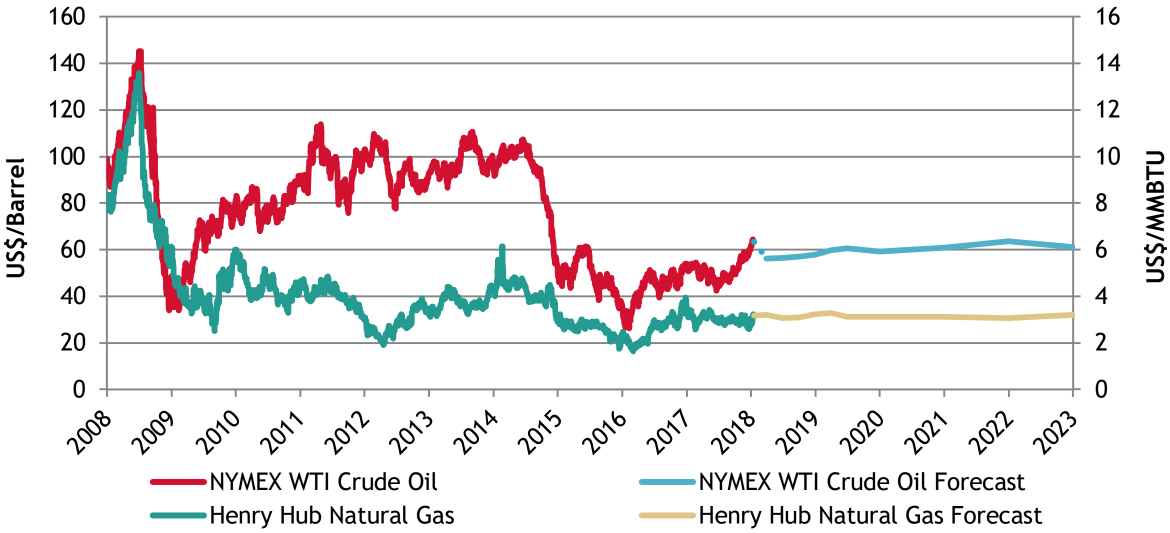


Source: www.cia.gov World Factbook, updated January 2017

8.4 Price Trends

Supply and demand are the most influential factors driving fluctuations in oil and gas prices. This is evident in the volatile price movements which often follow meetings held by the Organisation of the Petroleum Exporting Countries (‘**OPEC**’) to determine short-term oil supply. The graph below highlights the dramatic change in oil and gas prices following the GFC. In the six months from June 2008 onwards, the price of oil declined from approximately US$140 per barrel to reach a low of approximately US$30 per barrel in January 2009. Natural gas prices experienced similar volatility, peaking at approximately US$13.50 per million British Thermal Units (‘**MMBTU**’) in July 2008 and declining to US$2.50 in September 2009. Following the aftermath of the GFC, the oil price experienced a prolonged period in which the average price was US$100 per barrel, throughout 2011-2014. In 2015-16 however, global oversupply saw a dramatic fall in crude oil prices to an average of US$50 per barrel.

Oil and Gas Price Movement



Source: Bloomberg

The graph above illustrates how natural gas prices were highly correlated with oil prices between 2008 and 2010 before deviating in 2011. The divergence was mainly attributable to developments in shale gas production which meant that natural gas prices were at record discounts to oil prices. Since 2011, oil and gas prices have generally moved in the same direction, with the exception of the February 2014 spike in natural gas prices following a period of deficit in which storage levels reached their lowest in ten years. Forecasts predict that prices will continue to follow a relatively similar directional trend into the future.

High global oil inventories throughout the first half of 2017 resulted in generally lower trending prices in the first half of the year, before the market recorded a large deficit in the second quarter of 2017. The deficit, which was attributable to unexpectedly large growth in demand and compliance of producers to reduce output, saw the price per barrel exceed US$60 for the first time since 2015. In 2018, the average crude oil price is predicted to increase to US$56 per barrel, up from an average of US$53 per barrel in 2017, as strong demand continues amongst production restraints and falling supply.

Natural gas prices are also expected to rise in 2018. Global prices are expected to increase by 3.0% while in the US, prices are predicted to rise by 4.0% to reach US$3.10 per MMBTU, as modest gains in production are met with strong domestic and rising export demand.

Source: www.worldbank.org *Commodity Markets Outlook*, October 2017

8.5 Outlook

Oil and gas production has increased over the last 20 years and is forecast to continue doing so into the mid to long-term. The five-year oil outlook released by the OPEC highlights the slowing of demand growth rather than a change in the demand pattern, while demand for natural gas is forecast to continue its recent growing trend. It is expected that energy production and transport fuel demand will continue to be the primary drivers of this growth.

Global energy demand is predicted to increase by 35% over the period 2015-2040, driven largely by electricity production and growth in developing and non-Organisation for Economic Co-operation and Development countries, particularly India. Natural gas is anticipated to be the largest contributor, increasing its share in the global energy mix by 3.6% and overtaking coal as the second largest energy source behind oil. Forecast increases in oil prices and tighter regulations surrounding energy efficiency are expected to drive this change.

The IEA predicts that industrial demand in particular will be the largest area for growth in natural gas, which is forecast to reach 93 million barrels of oil equivalent per day (**'mboe/d'**) by 2040, up 45%, up from approximately 34 mboe/d in 2016. Global oil production currently stands at 92.15 million barrels per day and the rate of demand growth is predicted to increase by an annual average of 1.3 million barrels per day for the period 2016-2020 before slowing to only 0.3 million barrels per day annually between 2035-2040.

The transportation sector will remain the main consumer of oil products accounting for around 60% of demand, with the road transportation sector contributing the highest percentage to demand growth. The growing popularity of electric cars, tighter vehicle fuel efficiency standards, particularly the application of these to trucks, and changes in International Marine Organization regulations are expected to impact future oil demand, although these will be partially offset my growth in demand for car travel in emerging economies.

The price of oil and natural gas are both expected to rise over the next five years. More investment in global oil production capacity is necessary however to avoid the risk of a shortage and substantial price increase in the early 2020's. According to the IEA, oil producers have seen recent cost reductions of 15% in 2015 and a following 17% in 2016. These reductions indicate that many of these producers are now capable of competitively positioning themselves to maintain production in a lower price environment. Light oil products are predicted to satisfy more than half of long-term oil growth demand.

Substitutes for oil & gas include coal, solar power, wind power, hydroelectricity and nuclear energy. The IEA predicts that renewable energy sources will experience the fastest average annual consumption growth rate of 6.8%, however it is anticipated that oil and gas will still supply more than 50% of global energy needs by 2040. As discoverable reserves are depleted and alternative fuels become more widely available with advances in technology, these traditional fuel sources will face a more apparent threat of substitution. Nonetheless, for the medium term, oil and gas will continue to play a fundamental role in all economies, particularly in developing countries lacking the investment and infrastructure necessary to move to renewable fuel sources.

Source: IBIS World *Oil and Gas Industry Report* December 2017 by Jason Aravanic, www.eia.gov *Annual Energy Outlook 2017*, www.opec.org World Oil Outlook Report 2017, www.iea.org *World Oil Analysis and Forecast 2017*, www.iea.org *World Energy Outlook 2017*, BP *Statistical Review of World Energy 2017* and BP *Energy Outlook 2017*

9. Valuation approach adopted

In assessing whether the NPL Placement is fair to Shareholders, we have considered a comparison between the value of a Helios share prior to the NPL Placement, on a control basis, and the Placement Price.

There are a number of methodologies which can be used to value a business or the shares in a company. Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings (**'FME'**);
- Discounted cash flow (**'DCF'**);
- Quoted market price basis (**'QMP'**);
- Net asset value (**'NAV'**); and
- Market based assessment.

A summary of each of these methodologies is outlined in Appendix 2.

In our assessment of the value of a Helios share prior to the NPL Placement, on a control basis, we have chosen to employ the following methodologies:

- QMP as our primary methodology, as this represents the value that a Shareholder may receive for a share if it were sold on market;
- Market based assessment as a cross-check to our primary valuation methodology, which seeks to arrive at a value for a business by reference to comparable market transactions, specifically here this is the recent capital raisings conducted by the Company; and
- NAV as a second cross-check to our primary methodology, which estimates the market value of a company by aggregating the assessed realisable value of its identifiable assets and liabilities.

We have chosen these methodologies for the following reasons:

- We consider the QMP methodology to be relevant because Helios shares are listed on the ASX. This means that there is a regulated and observable market where Helios shares can be traded. In order for the QMP methodology to be considered appropriate for the purposes of a valuation, the market for the Company's shares should be liquid, active and fully informed on the Company's activities. Our analysis in Section 10.1 indicates that there is a liquid and active market for the Company's shares;
- We have relied on a market based valuation because Helios' recently completed the Public Placement and Shan Placement which was conducted at arm's length. Furthermore, given that the Company only acquired the Trinity and Presidio Projects in early 2017, for consideration of cash and shares in Helios, we consider the market to be well informed of the value of the Trinity and Presidio Projects and consequently, the value of the Company. The price at which shares were issued under the Public Placement and Shan Placement can provide a reliable indication of the value of the Company;
- We consider the NAV methodology to be appropriate given Helios is an exploration company and its core value lies in the mineral assets it holds. Given the fact we are able to conduct market based valuations using the QMP methodology and assessment of recent capital raisings, we have not engaged a technical specialist to value the Company's exploration assets;

- Pursuant to RG 111, we do not consider that we have reasonable grounds to rely on forecast cash flows for Helios and therefore do not consider the application of the DCF methodology to be appropriate; and
- The FME methodology, is most commonly applicable to profitable businesses with steady growth histories and forecasts. We do not consider the FME methodology to be appropriate given that Helios does not have a track record of profits. As such, we do not have a reasonable basis to assess the future maintainable earnings of the Company. Furthermore, the FME methodology is not considered appropriate for valuing finite life assets such as mining assets.

10. Valuation of Helios

10.1 Quoted Market Prices for Helios Securities

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.11 suggests that when considering the value of a company's shares for the purposes of approval under Item 7 of s611 the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

- control over decision making and strategic direction;
- access to underlying cash flows;
- control over dividend policies; and
- access to potential tax losses.

Whilst NPL will not be obtaining 100% of Helios, RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. The expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness has been considered in Section 13.

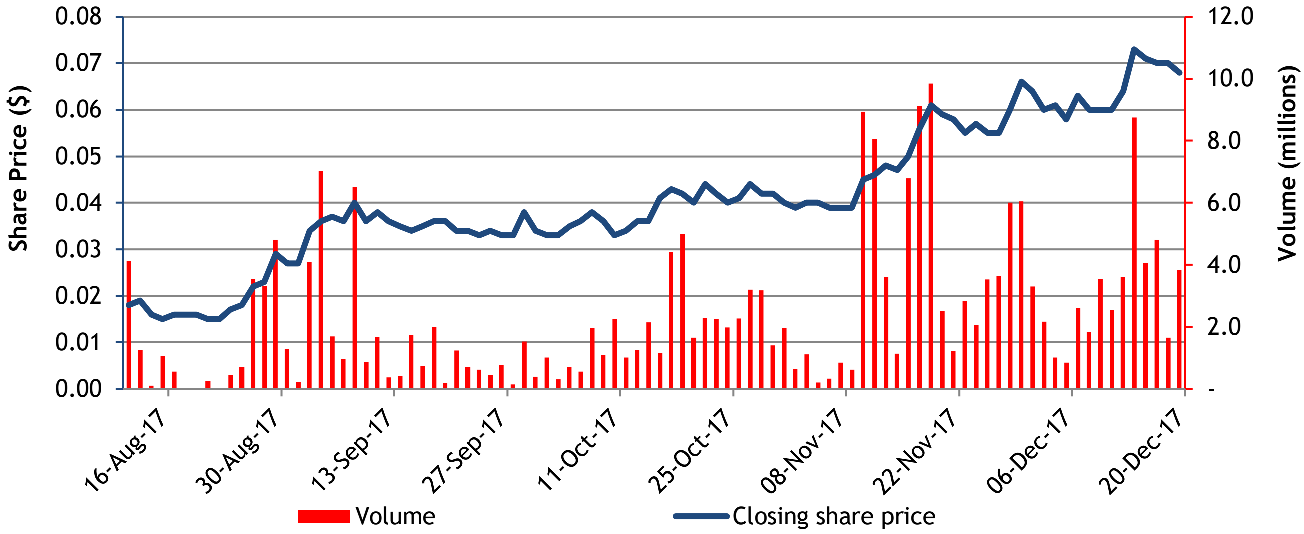
Therefore, our calculation of the quoted market price of a Helios share including a premium for control has been prepared in two parts. The first part is to calculate the quoted market price on a minority interest basis. The second part is to add a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

Minority interest value

Our analysis of the quoted market price of a Helios share is based on the pricing prior to the announcement of the NPL Placement. This is because the value of a Helios share after the announcement may include the effects of any change in value as a result of the NPL Placement. However, we have considered the value of a Helios share following the announcement when we have considered reasonableness in Section 13.

Information on the NPL Placement was announced to the market on 27 December 2017. Prior to this date, Helios had been in a trading halt since 21 December 2017. Therefore, the following chart provides a summary of the share price movement since the Company was reinstated to the ASX on 11 August 2017 to 20 December 2017, which was the last trading day prior to the announcement of the NPL Placement.

Helios share price and trading volume history



Source: Bloomberg

The daily closing price of Helios shares from 11 August 2017 to 20 December 2017 has ranged from a low of $0.015 on 16 August 2017 to a high of $0.073 on 14 December 2017. Since being reinstated to the ASX on 11 August 2017, the Company's share price exhibited an increasing trend to 20 December 2017. The highest single day of trading was on 20 November 2017, when 9,837,529 shares were traded. During the period from reinstatement to 20 December 2017, a number of announcements were made to the market. The key announcements are set out below:

Date	Announcement	Closing share price following announcement $ (movement)			Closing share price three days after announcement $ (movement)		
04/12/2017	Seismic programme and well testing	0.060	▼	6%	0.063	▲	5%
04/12/2017	Change of Registered Office	0.060	▼	6%	0.063	▲	5%
01/12/2017	Appointment of Hui Ye as Chairman	0.064	▼	3%	0.058	▼	9%
30/11/2017	Results of 2017 Annual General Meeting	0.066	▲	10%	0.061	▼	8%
31/10/2017	Resignation of Director and Appendix 3Z	0.042	▶	0%	0.040	▼	5%
31/10/2017	Quarterly Activities and Cash flow Report	0.042	▶	0%	0.040	▼	5%
26/10/2017	Notice of Annual General Meeting/Proxy Form	0.041	▲	3%	0.042	▲	2%
26/10/2017	Appendix 4G	0.041	▲	3%	0.042	▲	2%
26/10/2017	Annual Report for the year ended 30 June 2017	0.041	▲	3%	0.042	▲	2%
20/10/2017	Resignation of director	0.040	▼	5%	0.040	▶	0%
20/10/2017	New Managing Director Richard He	0.040	▼	5%	0.040	▶	0%
02/10/2017	Full Year Statutory Accounts	0.034	▼	11%	0.035	▲	3%
01/09/2017	Ceasing to be a substantial holder	0.027	▶	0%	0.037	▲	37%
29/08/2017	Ceasing to be a substantial holder	0.023	▲	5%	0.027	▲	17%

Source: Bloomberg

On 29 August 2017, Helios announced that Mr Jason Peterson had ceased to be a substantial holder in Helios as a result of the dilution of shares due to capital raising. The share price increased by 5% on the day of the announcement to close at $0.023 before increasing by a further 17% over the subsequent three-day period to close at $0.027.

On 1 September 2017, Helios announced that Brennan Super (WA) Pty Ltd, as trustee for the Brennan Superannuation fund, had ceased to be a substantial holder in Helios following the dilution of shares due to a placement. On the day of the announcement the share price closed unchanged at $0.027 before increasing by 37% over the three days subsequent to close at $0.037.

On 2 October 2017, Helios released its Financial Report for 2017 which highlighted the Company's progress since the change in activities to oil and gas exploration including details of the Company's reinstatement to the ASX and increase in cash position following the associated capital raising. On the day of the announcement the share price declined by 11% to close at $0.034 before increasing by 3% over the three days subsequent to close at $0.035.

On 20 October 2017, Helios announced the resignation of Carl Coward as Director and the appointment of Mr Richard He as Managing Director. The announcement outlined Mr He's experience in venture capital and investment banking in China, and more recently in the oil and gas sector in Texas. The share price decreased by 5% on the day of the announcement to close at $0.042 and remained unchanged over the three days subsequent.

On 26 October 2017 Helios released its Annual Report for the year ended 30 June 2017, Appendix 4G and notice of Annual General Meeting/Proxy Form. The Annual Report outlined the Company's investigation of new projects, the terms of the acquisition agreement for the Trinity and Presidio Projects, and provided an update on drilling progress at the Presidio Project. On the day of the announcement the share price increased by 3% to close at $0.041 before increasing by a further 2% to close at $0.042 over the three days subsequent.

On 30 November 2017, Helios published the results of its 2017 Annual General Meeting. The results showed that four resolutions, being the adoption of the remuneration report, re-election of Mr Richard He and Mr Nicholas Ong as Directors and approval of a 10% share placement capacity, were approved by shareholders. The share price closed 10% higher on the day of the announcement at $0.066 before declining by 8% to close at $0.061 three days after the announcement.

On 1 December 2017, Helios announced the appointment of Mr Hui Ye as Chairman. The announcement detailed Mr Ye's credentials and highlighted his indirect ownership interest in Helios through his connection to NPL. On the day of the announcement the share price decreased by 3% to close at $0.064 before declining by a further 9% in the three days subsequent to close at $0.058.

On 4 December 2017, Helios announced the commencement of a seismic programme at the Presidio Project, outlining drilling progress and the schedule for proposed well testing. The share price decreased by 6% on the day of the announcements to close at $0.060 before increasing by 5% in the subsequent three-days to close at $0.063.

To provide further analysis of the market prices for a Helios share, we have also considered the volume weighted average market price (**'VWAP'**) for 10, 30, 60 and 90 day periods to 20 December 2017.

Share price per unit	20-Dec-17	10 Days	30 Days	60 Days	90 Days
Closing price	$0.068				
Volume weighted average price		$0.067	$0.058	$0.053	$0.048

Source: Bloomberg

The above weighted average prices are prior to the date of the announcement of the NPL Placement, to avoid the influence of any increase in price of Helios shares that has occurred since the NPL Placement was announced.

An analysis of the volume of trading in Helios shares for the 90 days to 20 December 2017 is set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of issued capital
1 Day	$0.063	$0.071	3,845,041	0.29%
10 Days	$0.056	$0.075	37,250,108	2.82%
30 Days	$0.038	$0.075	120,570,312	9.14%
60 Days	$0.033	$0.075	168,815,578	12.79%
90 Days	$0.014	$0.075	215,944,664	16.36%

Source: Bloomberg

This table indicates that Helios' shares display a moderately high level of liquidity, with more than 16% of the Company's current issued capital being traded in a 90-day period. RG 111.69 states that for the quoted market price methodology to be an appropriate methodology there needs to be a 'liquid and active' market in the shares and allowing for the fact that the quoted price may not reflect their value should 100% of the securities not be available for sale. We consider the following characteristics to be representative of a liquid and active market:

- regular trading in a company's securities;
- approximately 1% of a company's securities are traded on a weekly basis;
- the spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- there are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'liquid and active', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of Helios, we consider there to be a liquid and active market for its shares as more than 16% of the Company's current issued capital was traded over the 90-day period prior to the announcement of the NPL Placement. Furthermore, we note that there has been consistent trading in the Company's shares with very few days having no trade activity. There were also no significant unexplained price movements or fluctuation in trade volume during the period, which further supports our assessment that there is a liquid and active market for Helios' shares.

Our assessment is that a range of values for Helios shares based on market pricing, after disregarding post announcement pricing, is between $0.058 and $0.068, with a midpoint of $0.063.

Control Premium

We have reviewed the control premiums paid by acquirers of oil and gas companies listed on the ASX. We have summarised our findings below:

Oil and gas companies

Year	Number of transactions	Average deal value ($m)	Average control premium (%)
2017	2	6.11	100.03
2016	1	339.72	21.32
2015	4	111.40	14.60
2014	4	684.20	64.78
2013	3	65.82	31.02
2012	2	222.52	49.85
2011	4	200.16	34.70
2010	3	1265.25	56.89
2009	9	649.79	75.93
2008	4	106.26	41.56

Source: Bloomberg

Given the limited number of transactions since 2008 involving the acquisition of ASX listed oil and gas companies, we have also reviewed the control premiums paid by acquirers for All ASX listed companies, as set out in the table below:

All ASX listed companies

Year	Number of transactions	Average deal value ($m)	Average control premium (%)
2017	26	1089.67	45.10
2016	42	718.51	49.58
2015	33	850.04	33.23
2014	45	518.59	40.00
2013	41	128.21	50.99
2012	52	472.10	51.68
2011	68	891.85	44.43
2010	54	575.28	44.05
2009	61	521.10	54.61
2008	2	9221.57	20.03

Source: Bloomberg

The mean and median of the entire data sets, respectively, comprising control transactions for oil and gas companies and All ASX listed companies, from 2008 onwards, are set out below:

	Oil and gas companies		All ASX listed companies	
Entire data set metrics	Average deal value ($m)	Average control premium (%)	Average deal value ($m)	Average control premium (%)
Mean	417.96	52.52	626.57	45.95
Median	68.01	43.75	95.04	36.13

Source: Bloomberg

In arriving at an appropriate control premium to apply we note that observed control premiums can vary due to the:

- nature and magnitude of non-operating assets;
- nature and magnitude of discretionary expenses;
- perceived quality of existing management;
- nature and magnitude of business opportunities not currently being exploited;
- ability to integrate the acquiree into the acquirer's business;
- level of pre-announcement speculation of the transaction; and
- level of liquidity in the trade of the acquiree's securities.

The table above indicates that the long term average of announced control premiums paid by acquirers of Oil and Gas companies and all ASX listed companies is approximately 53% and 46%, respectively. However, in assessing the sample of transactions included in the table, we noted transactions that appear to be extreme outliers. These included three oil and gas transactions and 35 all ASX listed company transactions in which the announced premium was in excess of 100%.

In a sample where there are extreme outliers, the median often represents a superior measure of central tendency compared to the mean. We note that the median announced control premium over the review period was approximately 44% for oil and gas transactions and 36% for all ASX listed companies.

In determining a control premium most appropriate for Helios, we considered a number of factors. The principal influencing factor we considered is that Helios is an oil and gas exploration company and therefore does not currently have any revenue generating operations. Furthermore, a controlling interest in the Company will have access to the net assets of Helios, of which a significant proportion comprises cash. We note that an acquirer would not be expected to pay a premium for cash.

Based on the above analysis, we consider an appropriate premium for control to be paid by NPL is between 20% and 30%, with a midpoint of 25%.

Quoted market price including control premium

Applying a control premium to Helios' quoted market share price results in the following quoted market price value including a premium for control:

QMP	Low value $	Midpoint $	High value $
Quoted market price	0.058	0.063	0.068
Control premium	20%	25%	30%
Quoted market price including a premium for control	**0.070**	**0.079**	**0.088**

Source: BDO analysis

Therefore, our valuation of a Helios share based on the quoted market price method and including a premium for control is between $0.070 and $0.088, with a midpoint value of $0.079.

10.2 Market based assessment - capital raising price

To provide a comparison to the valuation of Helios in Section 10.1, we have assessed the value of a Helios share using a market valuation based on recent capital raisings conducted by the Company.

On 5 January 2018, the Company announced that it had completed the Public Placement, in which 36,018,672 shares were issued to sophisticated and professional investors at $0.064 cent per share to raise

$2.31 million. The Shan Placement was subsequently completed on 27 February 2018, in which an additional 15,625,000 shares were issued to the Company's fourth largest shareholder, Mr Zhiqiang Shan, to raise a further $1.0 million. Both the Public Placement and Shan Placement were subscribed to by parties not related to the Company, therefore representing an arm's length raising. As such, we consider the issue price of $0.064 per share provides a reliable basis to infer a market value of the Company.

As a result of the Shan Placement, Mr Zhiqiang Shan will become the second largest shareholder, with a 6.14% interest in Helios. Given that none of the sophisticated and professional investors, or Mr Zhiqiang Shan will obtain a controlling interest in the Company, the issue price of $0.064 represents a minority interest value. For the purpose of our valuation, we have applied a control premium to the issue price of $0.064 in order to derive the value per Helios share on a control basis.

As detailed in Section 10.1, we consider an appropriate premium for control to be paid by NPL is between 20% and 30%, with a midpoint of 25%. Applying a control premium to the issue price of $0.064 results in the following value per Helios share including a premium for control:

Market based valuation	Low value $	Preferred value $	High value $
Issue price under Public Placement and Shan Placement	0.064	0.064	0.064
Control premium	20%	25%	30%
Value per Helios share on a control basis	**0.077**	**0.080**	**0.083**

Source: BDO analysis

Therefore, our valuation of a Helios share based on a market based valuation and including a premium for control is between $0.077 and $0.083, with a midpoint value of $0.080.

10.3 NAV of Helios (undiluted)

In addition to our market based valuation cross-check, we have also assessed the NAV of Helios. The undiluted value of Helios' assets on a going concern basis is reflected in our valuation below:

NAV of Helios (undiluted)	Ref	Audited as at 30-Jun-17 $	Adjusted value $
CURRENT ASSETS			
Cash and cash equivalents	a	8,617,443	7,631,891
Trade and other receivables		62,836	62,836
TOTAL CURRENT ASSETS		**8,680,279**	**7,694,727**
NON-CURRENT ASSETS			
Exploration and evaluation expenditure	b	9,533,522	12,595,961
TOTAL NON-CURRENT ASSETS		**9,533,522**	**12,595,961**
TOTAL ASSETS		**18,213,801**	**20,290,688**
CURRENT LIABILITIES			
Trade and other payables	c	1,269,297	505,507
TOTAL CURRENT LIABILITIES		**1,269,297**	**505,507**
TOTAL LIABILITIES		**1,269,297**	**505,507**
NET ASSETS		**16,944,504**	**19,785,181**
Number of shares on issue		1,335,316,636	1,335,316,636
Value per share ($)		**0.013**	**0.015**

Source: BDO analysis

The table above indicates that the undiluted net asset value of a Helios share on a control basis is $0.015 per share.

We have been advised that there has not been a significant change in the net assets of Helios since 30 June 2017 and that the above assets and liabilities represent their fair market values, other than those with adjustments detailed below. Furthermore, nothing has come to our attention as result of our procedures that would indicate the need for any additional adjustments.

The following adjustments were made to the net assets of Helios as at 30 June 2017 in arriving at our valuation.

Note a) Cash and cash equivalents

We have adjusted the cash and cash equivalents of Helios as at 30 June 2017 to account for the movements during the six months ended 31 December 2017. The adjusted cash and cash equivalents is summarised in the table below:

Adjusted cash and cash equivalents at 31 December 2017	$
Cash and cash equivalents at 30-Jun-17	**8,617,443**
Less: Net cash outflows during the six months ended 31 December 2017	(985,552)
Adjusted cash and cash equivalents	**7,631,891**

Source: Helios audited financial statement for the year ended 30 June 2017 and unaudited management accounts for the six months ended 31 December 2017

We have been provided with bank statements and bank reconciliations supporting the adjusted cash and cash equivalent balance at 31 December 2017. Management advise that there have not been any material movements subsequent to 31 December 2017.

Note b) Exploration and evaluation expenditure

We have adjusted the exploration and evaluation expenditure as at 30 June 2017, to account for capitalised exploration and evaluation expenditure during the six months ended 31 December 2017. The adjusted exploration and evaluation expenditure is summarised in the table below:

Adjusted exploration and evaluation expenditure at 31 December 2017	$
Exploration and evaluation expenditure at 30 June 2017	**9,533,522**
Add: Capitalised exploration and evaluation expenditure for the six months ended 31 December 2017	3,062,439
Adjusted exploration and evaluation expenditure	**12,595,961**

Source: Helios audited financial statement for the year ended 30 June 2017 and unaudited management accounts for the six months ended 31 December 2017

We have confirmed the capitalised exploration and evaluation expenditure for the six months ended 31 December 2017 to supporting documentation.

Note c) Trade and other payables

We have adjusted the trade and other payables as at 30 June 2017, to account for payments made during the six months ended 31 December 2017. The adjusted trade and other payables is summarised in the table below:

Adjusted trade and other payables at 31 December 2017	$
Trade and other payables at 30 June 2017	**1,269,297**
Less: Payments made during the six months ended 31 December 2017	(763,790)
Adjusted trade and other payables	**505,507**

Source: Helios audited financial statement for the year ended 30 June 2017, unaudited management accounts for the six months ended 31 December 2017 and aged payable listing

We have been provided with an aged payable listing, which supports the balance per the management accounts as at 31 December 2017.

10.4 NAV of Helios (partially diluted)

Given that the Company is seeking approval for NPL to increase its holding to a maximum of 39.24% upon exercise of the Existing Options at an exercise price of $0.02, we have also assessed the value of a Helios share on a partially diluted basis.

The partially diluted value of Helios' assets on a going concern basis is reflected in our valuation below:

NAV of Helios (partially diluted)	Ref	Adjusted value $
NAV of Helios on an undiluted basis	10.3	**19,785,181**
Add: Cash received upon exercise of the Existing Options (131,578,162 x $0.02)		2,631,563
NAV of Helios on a partially diluted basis		**22,416,744**
Number of shares on issue	a	1,466,894,798
Value per share ($)		**0.015**

Source: BDO analysis

The table above indicates that the partially diluted net asset value of a Helios share on a control basis is $0.015 per share.

The following adjustments were made to the net assets of Helios as at 30 June 2017 in arriving at our valuation.

Note a) Number of shares on issue

The number of shares on issue in Helios following the exercise of the Existing Options is set out in the table below:

Number of share on issue	$
Number of shares on issue prior to exercise of the Existing Options	**1,335,316,636**
Add: Shares issued upon exercise of the Existing Options	131,578,162
Number of shares on issue following the exercise of the Existing Options	**1,466,894,798**

Source: BDO analysis

10.5 Assessment of the value of a Helios share

The results of the valuations performed are summarised in the table below:

Summary	Ref	Low value $	Preferred value $	High value $
Quoted market price	10.1	0.070	0.079	0.088
Market based valuation	10.2	0.077	0.080	0.083
Net asset value (undiluted)	10.3	0.015	0.015	0.015
Net asset value (partially diluted)	10.4	0.015	0.015	0.015

Source: BDO analysis

The table above illustrates that our primary valuation using the QMP methodology is supported by our market based assessment cross-check, with the market based valuation range lying within the QMP valuation range.

Furthermore, we note that the values obtained under the QMP and market based valuation methodology are higher than the values obtained from the NAV methodology. It is not uncommon for exploration companies to trade at a premium to their net asset value. This is because investors in mining exploration companies typically anticipate some potential upside of 'blue sky' prospects for the company, which are factored into the share price in advance of such value being realised.

With this said, ultimately, the value of a share in a company is equal to the price at which a knowledgeable and willing, but not anxious, buyer, transacts with a knowledgeable and willing, but not anxious, seller, acting at arm's length. In the case of a listed company, this price is reflected in the company's share price or QMP. However, in order for the QMP methodology to be considered appropriate for the purposes of a valuation, the market for the company's shares should be liquid, active and fully informed on the company's activities.

Our analysis in Section 10.1 indicates that there is a liquid and active market for Helios' shares. Therefore, our QMP analysis provides a reliable basis to value a Helios share.

Furthermore, our valuation range derived under the QMP methodology is supported by our market based valuation cross-check, with the price paid per Helios share under both the Public Placement and Shan Placement falling within our assessed QMP valuation range.

Based on the results above we consider the value of a Helios share to be between $0.070 and $0.088, with a preferred value of $0.079.

11. Placement Price

The price at which the NPL Placement is to be conducted, should it receive Shareholder approval, is $0.064.

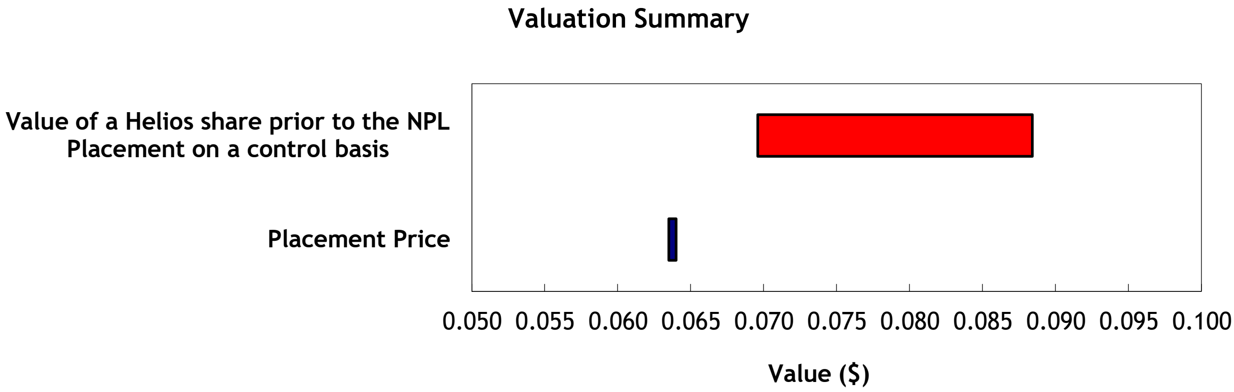
12. Is the NPL Placement fair?

A comparison of the value of a Helios share prior to the NPL Placement, on a control basis, and the Placement Price is set out below:

Fairness assessment	Ref	Low value $	Preferred value $	High value $
Value of a Helios share prior to the NPL Placement on a control basis	10.1	0.070	0.079	0.088
Placement Price	11	0.064	0.064	0.064

Source: BDO analysis

The above valuation ranges are graphically presented below:



Source: BDO analysis

We note from the table above that the value of a Helios share prior to the NPL Placement, on a control basis, is greater than the Placement Price. Therefore, we consider that the NPL Placement is not fair to Shareholders.

13. Is the NPL Placement reasonable?

13.1 Advantages of approving the NPL Placement

If the NPL Placement is approved, in our opinion, the advantages to Shareholders include the following:

13.1.1. Provides substantial funding required to acquire additional acreage of oil and gas mineral rights in Presidio County

Funds raised under the NPL Placement will enable the Company to continue leasing additional acres of oil and gas mineral rights in Presidio County, Texas, US and provide additional working capital. By increasing the size of the Company's land holding at the Presidio Project, Helios will increase its exposure to the potential upside that a discovery of commercial oil deposits may provide.

As at the date of this report, the Company holds an interest in a 70% working interest in a total of 66,776 acres of oil and gas leases (46,743 net acres) at the Presidio Project. By acquiring additional adjacent leases, Helios intends to establish a larger contiguous land holding in Presidio County. This may lead to increased economies of scale and improve the viability of any future deposits found, ultimately maximising the potential returns to Shareholders that may arise in the event that a commercial deposit of oil is discovered.

Furthermore, by increasing the scale and exposure of the Presidio Project, debt funding may become more readily available. Access to debt funding would provide Helios with a less dilutive method of raising additional capital, which is required to acquire additional leases or develop the Presidio Project through to production.

13.1.2. The Placement Price is at a premium to the Company's current share price

Following the announcement of the NPL Placement, the Company's share price has exhibited a declining trend. On 13 February 2018, Helios' share price was $0.041 and the 30-day VWAP was $0.054. Consequently, the Placement price of $0.064, at which NPL will receive Helios shares under the NPL Placement, represents a premium to the Company's current share price.

Notwithstanding the fact that the Placement Price is less than the value of the quoted market price including a control premium, prior to the announcement of the NPL Placement, as detailed in Section 10.1 of our report, given the recent decline in Helios' share price, the issue of shares at a premium to the current share price will benefit the Company and ultimately Shareholders.

Further analysis of Helios' share price following the announcement of the NPL Placement is included in Section 13.4 below.

13.1.3. No material change in NPL's practical level of control

If the NPL Placement is approved, NPL will receive an additional 81,168,828 shares in the Company, increasing its holding in Helios from 29.56% to 33.60% on an undiluted basis. If NPL were to exercise the Existing Options, its holding in the Company following the NPL Placement would increase to 39.24% on a partially diluted basis and decrease to 25.6% on a fully diluted basis.

When shareholders are required to approve an issue that relates to a company there are two types of approval levels. These are general resolutions and special resolutions. A general resolution requires 50% of shares to be voted in favour to approve a matter and a special resolution required 75% of shares on issue to be voted in favour to approve a matter. Currently, NPL only has the ability to block special resolutions. If the NPL Placement is approved and the Existing Options exercised, NPL's practical level of control will not change as it will still only be able to block special resolutions.

13.1.4. Strengthens Helios' relationship with its cornerstone investor

NPL is an investment company that holds a diverse range of investments. The primary goal of an investment company is to generate a return on its investments. Since investment companies receive shares in the companies they invest in, their return is generated by an increase in value of those companies, which consequently aligns their interests with Shareholders' interests.

NPL has actively participated in Helios' past capital raisings and as a result is currently the largest shareholder in the Company, with an interest in Helios of 29.56%. If the NPL Placement is approved, this holding will increase to 33.60% and up to 39.24% upon exercise of the Existing Options. NPL's significant existing shareholding and subscription to the NPL Placement, indicates that NPL has a long term commitment to the Company and providing continued financial support.

13.2 Disadvantages of approving the NPL Placement

If the NPL Placement is approved, in our opinion, the disadvantages to Shareholders include the following:

13.2.1. Dilution of Shareholders' interests

If the NPL Placement is approved, NPL will receive an additional 81,168,828 shares in the Company, increasing its holding in Helios from 29.56% to 33.60% on an undiluted basis. If NPL were to exercise the Existing Options, its holding in the Company following the NPL Placement would increase to 39.24% on a partially diluted basis and decrease to 25.6% on a fully diluted basis.

Consequently, if the NPL Placement is approved, Shareholders interest in Helios will be diluted from 70.44% to 66.40% and to 60.76% upon exercise of the Existing Options. This will dilute Shareholders' interests and their level of collective influence on the operations of the Company.

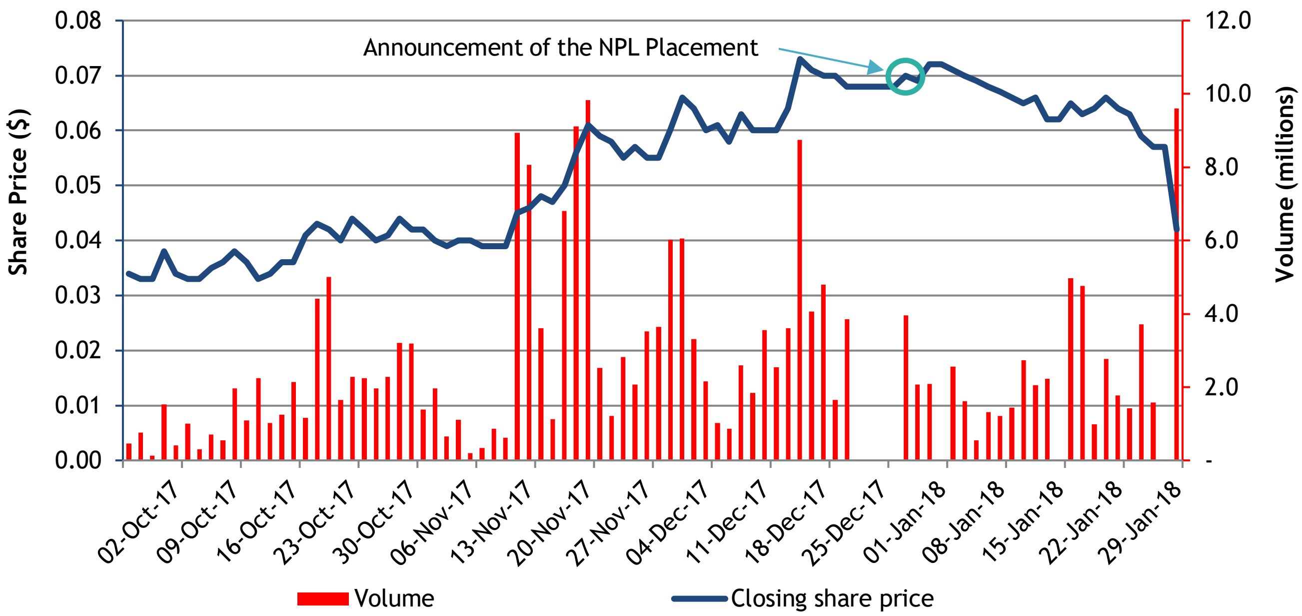
13.3 Alternative proposal

We are unaware of any alternative proposal that might offer the Shareholders a premium over the value ascribed to, resulting from the NPL Placement.

13.4 Post-announcement pricing

We have analysed movements in Helios' share price since the NPL Placement was announced. A graph of Helios' share price since the announcement is set out below.

Helios share price and trading volume history



Source: Bloomberg

Since the announcement of the NPL Placement on 27 December 2017, Helios' share price has exhibited a declining trend. The daily price of Helios' shares from 27 December 2017 to 29 January 2018 ranged from $0.072 on 29 December 2017 to $0.042 on 29 January 2018. During the same period, a total of 55,346,385 shares were traded, which represents approximately 4.19% of the Company's total issued capital.

The sustained decline in Helios' share price subsequent to the announcement of the NPL Placement, may indicate that the announcement of the NPL Placement was not well received by the market.

14. Conclusion

We have considered the terms of the NPL Placement as outlined in the body of this report and have concluded that the NPL Placement is not fair but reasonable to Shareholders.

In our opinion, the NPL Placement is not fair because the value of a Helios share prior to the NPL Placement, on a control basis, is greater than the consideration per Helios share, being the Placement Price. However, we consider the NPL Placement to be reasonable because the advantages of the NPL Placement to Shareholders are greater than the disadvantages.

In particular, we note that the funding received under the NPL Placement will enable the Company to establish a larger contiguous land holding in Presidio County, which may lead to increased economies of scale and improve the viability of any future deposits found, ultimately maximising the potential returns to Shareholders that may arise in the event that a commercial deposit of oil is discovered.

Furthermore, in the event that the NPL Placement is approved by Shareholders, NPL's holding in Helios will increase from 29.56% to a maximum of 39.24%, on a partially diluted basis. Consequently, there will be no material change to NPL's practical level of control in the Company.

15. Sources of information

This report has been based on the following information:

- draft Notice of Meeting and Explanatory Statement on or about the date of this report;
- audited financial statements of Helios for the years ended 30 June 2015, 30 June 2016 and 30 June 2017;
- unaudited management accounts of Helios for the period ended 31 December 2017;
- share registry information;
- Reserve Bank of Australia's Monetary Policy Decision dated 7 November 2017;
- Worldbank's Commodity Markets Outlook for October 2017;
- Statement by Federal Open Market Committee: Monetary Policy Decision 7 July 2017;
- OECD's US Economic Forecast Summary November 2017;
- Central Intelligence Agency's World Factbook;
- US Energy Information Administration's Annual Energy Outlook 2017;
- OPEC World Oil Outlook Report 2017;
- International Energy Agency's World Oil Analysis and Forecast 2017 and World Energy Outlook 2017;
- BP Statistical Review of World Energy 2017 and BP Energy Outlook 2017;
- Bloomberg;
- S&P Capital IQ;
- IBIS World Oil and Gas Industry Report December 2017;

- Energy and Metals Consensus Forecast for December 2017;
- information in the public domain; and
- discussions with directors and management of Helios.

16. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of $24,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Helios in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by Helios, including the non provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Helios and NPL and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Helios and NPL and their respective associates.

The provision of our services is not considered a threat to our independence as auditors under Professional Statement APES 110 – Professional Independence. The services provided have no material impact on the financial report of Helios.

A draft of this report was provided to Helios and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

BDO is the brand name for the BDO International network and for each of the BDO Member firms.

BDO (Australia) Ltd, an Australian company limited by guarantee, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of Independent Member Firms. BDO in Australia, is a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International).

17. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of Chartered Accountants Australia & New Zealand. He has over 29 years' experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 300 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Natural Resources Leader for BDO in Australia.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 19 years in the Audit and Assurance and Corporate Finance areas. Adam is a CA BV Specialist and has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

18. Disclaimers and consents

This report has been prepared at the request of Helios for inclusion in the Notice of Meeting, which will be sent to all Shareholders. Helios engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the NPL Placement.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Notice of Meeting. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Notice of Meeting other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to NPL. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the NPL Placement, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to Shareholders, or any other party.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd is required to provide a supplementary report if we become aware of a significant change affecting the information in this report arising between the date of this report and prior to the date of the meeting or during the offer period.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD

Sherif Andrawes

Director

Adam Myers

Director

Appendix 1 – Glossary of Terms

Reference	Definition
the Act	The Corporations Act 2001 Cth
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO	BDO Corporate Finance (WA) Pty Ltd
Capital Raising	The issue of 132,812,500 shares at a price of $0.064 per share to sophisticated and professional investors
the Company	Helios Energy Limited
Corporations Act	The Corporations Act 2001 Cth
CPS Capital	CPS Capital Group Pty Ltd
DCF	Discounted Future Cash Flows
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Existing Options	131,578,162 options in Helios, exercisable at $0.02 on or before 31 December 2021, held by NPL
FME	Future Maintainable Earnings
FOMC	Federal Open Market Committee
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
GDP	Gross domestic product
GFC	Global Financial Crisis
Helios	Helios Energy Limited

Reference	Definition
IEA	International Energy Association
Listing Rule 10.1	ASX Listing Rule 10.1
m^3	Cubic meters
mboe/d	Million barrels of oil equivalent per day
MMBTU	Million British Thermal Units
NAV	Net Asset Value
NPL	Notable Pioneer Limited
NPL Placement	The proposed issue of 81,168,828 shares to NPL, a company associated with Helios' Chairman, Mr Ye
OPEC	Organisation of the Petroleum Exporting Countries
Placement Price	$0.064 per share
the Presidio Project	The Presidio Oil Project
Public Placement	The issue of 36,018,672 shares at $0.064 to sophisticated and professional investors
QMP	Quoted market price
RBA	Reserve Bank of Australia
our Report	This Independent Expert's Report prepared by BDO
RG 74	Acquisitions approved by Members (December 2011)
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
Section 611	Section 611 of the Corporations Act
Shan Placement	The issue of 15,625,000 shares at $0.064 to Mr Zhiquiang Shan
Shareholders	Shareholders of Helios not associated with NPL
the Trinity Project	The Trinity Oil Project
US	United States of America

Reference	Definition
US$	US dollars
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time
VWAP	Volume Weighted Average Price

The Directors

BDO Corporate Finance (WA) Pty Ltd

38 Station Street

SUBIACO, WA 6008

Australia

Appendix 2 – Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 *Net asset value ('NAV')*

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 *Quoted Market Price Basis ('QMP')*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a liquid and active market in that security.

3 *Capitalisation of future maintainable earnings ('FME')*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax (‘**EBIT**’) or earnings before interest, tax, depreciation and amortisation (‘**EBITDA**’). The capitalisation rate or ‘earnings multiple’ is adjusted to reflect which base is being used for FME.

4 *Discounted future cash flows (‘DCF’)*

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

5 *Market Based Assessment*

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

PROXY FORM
GENERAL MEETING

HELIOS ENERGY LTD
ACN 143 932 110

I/We: ______________________

of: ______________________

being a Shareholder entitled to attend and vote at the Meeting, hereby appoint:

Name: ______________________

OR: ☐ the Chair of the Meeting as my/our proxy.

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Meeting to be held at 11.00am, on Thursday 29 March 2018 at Level 3, 18 Richardson Street, West Perth, WA 6005 Australia and at any adjournment thereof.

CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED PROXIES

The Chair intends to vote undirected proxies in favour of all Resolutions. In exceptional circumstances the Chair may change his/her voting intention on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

Voting on business of the Meeting		**FOR**	**AGAINST**	**ABSTAIN**
Resolution 1	ELECTION OF DIRECTOR – MR HUI YE	☐	☐	☐
Resolution 2	ELECTION OF DIRECTOR – MR ROBERT BEARDEN	☐	☐	☐
Resolution 3	RATIFICATION OF PRIOR ISSUE OF PLACEMENT SHARES	☐	☐	☐
Resolution 4	APPROVAL TO ISSUE SHARES TO NOTABLE PIONEER LIMITED	☐	☐	☐
Resolution 5	APPROVAL TO ISSUE BROKER OPTIONS	☐	☐	☐

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is: ______ %

Signature of Shareholder(s):

Individual or Shareholder 1	**Shareholder 2**	**Shareholder 3**
Sole Director/Company Secretary	Director	Director/Company Secretary

Date: ______________________

Contact name: ______________________ **Contact ph (daytime):** ______________________

E-mail address: ______________________ **Consent for contact by e-mail in relation to this Proxy Form:** **YES** ☐ **NO** ☐

Instructions for completing Proxy Form

1. (**Appointing a proxy**): A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.

2. (**Direction to vote**): A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.

3. (**Signing instructions**):

   - (**Individual**): Where the holding is in one name, the Shareholder must sign.

   - (**Joint holding**): Where the holding is in more than one name, all of the Shareholders should sign.

   - (**Power of attorney**): If you have not already provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.

   - (**Companies**): Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed pursuant to Section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.

4. (**Attending the Meeting**): Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.

5. (**Return of Proxy Form**): To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

   (a) post to Helios Energy Limited at PO Box 1485 West Perth, WA Australia 6872; or

   (b) facsimile to the Company on facsimile number +61 8 6298 6191,

   (c) email to the Company at ckwietniewski@heliosenergyltd.com,

   so that it is received not less than 48 hours prior to commencement of the Meeting.

   Proxy Forms received later than this time will be invalid.