

# Quarter 31 Dec 18 Report

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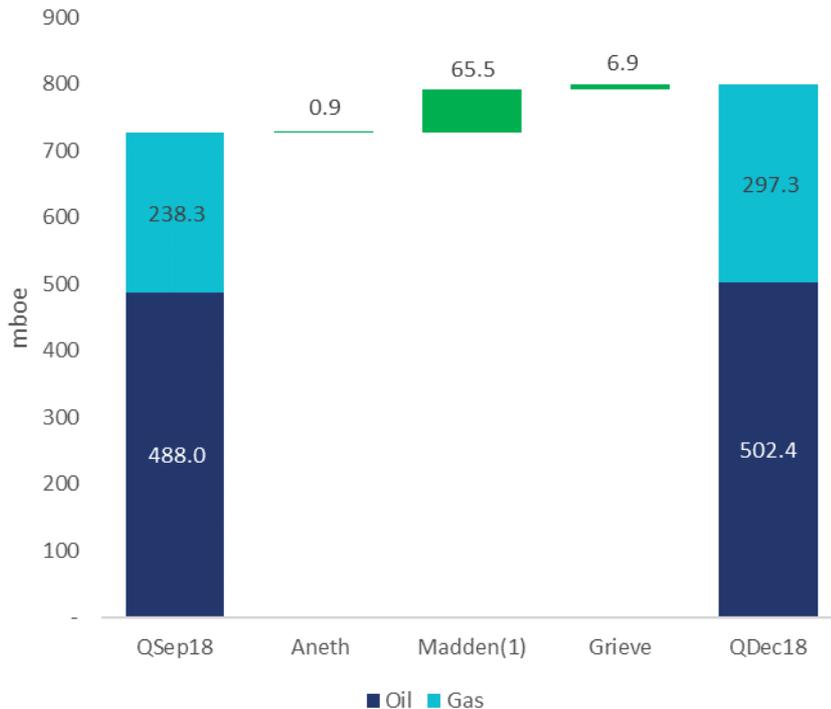
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# Production

## Steady Production with planned Capital and Operating Developments

Previous financial quarter (QSep18 to QDec18)

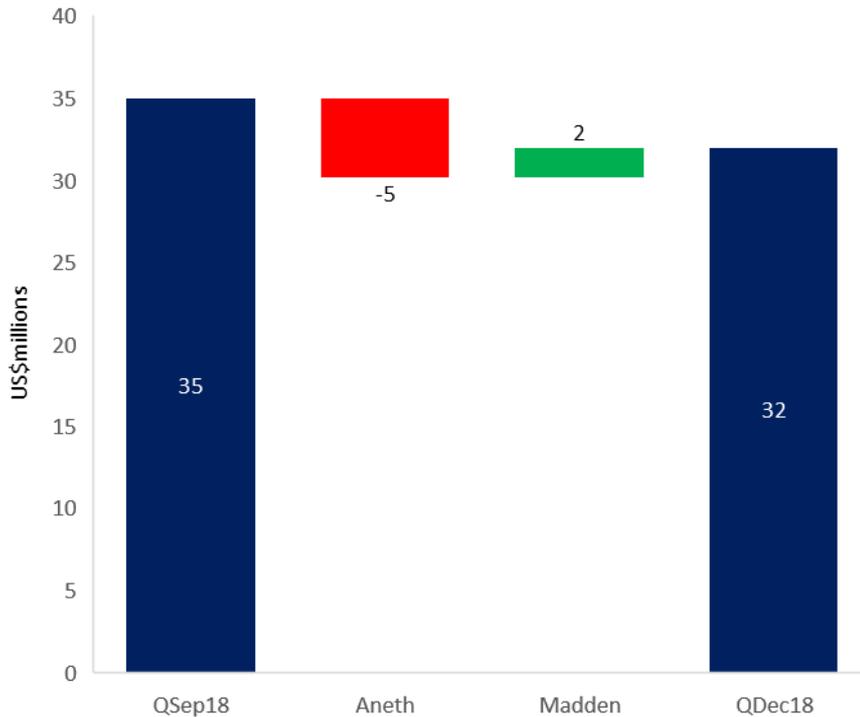


- Oil makes up over 63% of Company's total production
- Minimal change to Quarter on Quarter Oil Production
- Increase in Madden Quarter on Quarter Production due to Madden Train being taken offline for scheduled servicing in the previous quarter

# Sales Revenue

Revenue<sup>(1)</sup> continues to stay strong

Previous financial quarter (QSep18 to QDec18)



- Production Revenue down 8.6% over previous quarter
- Aneth Revenue decrease driven by decreased realised oil price<sup>2</sup>
- Madden Increase driven by increase in realised gas price
- Grieve Revenue will be accounted for in March quarter

# Projects

## Grieve Project oil pipeline filled and first oil sales achieved at the end of December

### Grieve

- Grieve Project oil production ramp up continues across the field
- The field is now producing fluid at high rates, by the end of the quarter total daily fluid throughput is ~21,000 barrels per day
- During the quarter the Grieve Field demonstrated an increasing average oil delivery rate from the field into the Grieve pipeline from 72 bopd in October to 126 bopd in December
- By mid December the 32 mile Grieve pipeline had completed fill-up with 10,650 barrels of oil.
- On December 21, the first Grieve oil shipment of 105 bbls of oil was delivered into the Enbridge Crude Oil Terminal at Casper, Wyoming. Delivery nominations for January currently stand at 4,650 Bbls oil

### Aneth

- McElmo Creek Unit (MCU), well-deepening project was completed under budget in the first quarter delivering 381 BOPD (gross) incremental oil production based on most recent production test results
- Unseasonably cold weather during December led to a production shortfall of some ~900 bopd
- McElmo Creek Unit CO<sub>2</sub> Recycle Compression Expansion Project is on schedule with orders placed during the quarter for all major components; Compressor, Dehydration Unit, and Transformer in conjunction with the associated permits.

### Madden

- On Saturday, December 22, a fire occurred in a solvent pump at Train 3 of the company's Lost Cabin Gas Plant in Lysite, Wyoming.
- The facility was evacuated, production was shut in with no injuries incurred. The fire was extinguished and the Operator is concluding a full investigation into the cause of the incident.
- Production from the Train 2 gas plant was not impacted by the fire, Train 2 accounts for approximately 30% of Madden Deep production

# Data tables

An aerial photograph of an oil drilling site in a vast, open landscape. A tall metal derrick stands in the center, surrounded by various pieces of equipment, including a large black storage tank, several pickup trucks, and a white trailer. The terrain is flat and extends to the horizon under a clear sky. A large teal triangle is overlaid on the right side of the image.

# Production

Elk's Share of production for quarter ended 31 December 2018 with historical comparatives

Production (post royalty)			Three months ended		Year to Date	
Project	Product	Units	QDec18	QSep18	H2Dec18	H2Dec17
Aneth	Oil	Bbl	495,362	487,915	983,277	343,272
	Sales Gas	MMSCF	14	53	67	73
Madden	Sales Gas	MMSCF	1,672	1,377	3,049	3,456
	Sulphur	Long ton	9,469	8,233	17,702	23,546
	CO <sub>2</sub>	MMSCF	338	240	578	235
	Oil	Bbl	106	98	204	358
Grieve	Oil	Bbl	6,883	n/a	6,883	n/a
<b>Total<sup>1</sup></b>		<b>BOE</b>	<b>783,351</b>	<b>726,346</b>	<b>1,509,697</b>	<b>931,797</b>

## Production Rates

Average daily production rates (100% project) for quarter ended 31 December 2018 with historical comparatives

Production Rates - gross pre-royalty				100% Project		Remarks
Project	Product	Units	Elk Share %	QDec18	QSep18	
Aneth	Oil	Bbl/d	~63%	9,942	9,788	Production Rate remains steady quarter-on-quarter with low decline rate
	Sales Gas	MMSCF/d	~63%	3	3	
	Sales Gas	MMSCF/d	~14%	164	147	
Madden	Sulphur	Long ton/d	~14%	787	658	CO <sub>2</sub> Sales to Denbury Resources Continue
	CO <sub>2</sub>	MMSCF/d	~14%	28	19	
	Oil	Bbl/d	~14%	9	17	
Grieve	Oil	Bbl/d	49%	100	n/a	Production commenced in mid-April 2018

# Revenue

Elk's Share of sales and operating revenue<sup>1</sup> for quarter ended 31 December 2018 with historic comparatives

Revenue (US\$ million)		Three months ended		Year to Date	
Project	Product	QDec18	QSep18	H2Dec18	H2Dec17
Aneth	Oil	25.7	30.7	56.4	17.0
	Sales Gas	0.1	0.1	0.1	-
	Sales Gas	4.8	3.2	8.0	9.0
Madden	Sulphur	1.3	1.0	2.3	1.0
	CO <sub>2</sub>	0.0	0.0	0.0	-
	Oil	0.0	0.0	0.0	-
Grieve <sup>2</sup>	Oil	n/a	n/a	n/a	n/a
<b>Total Sales Revenue</b>		<b>31.9</b>	<b>35.0</b>	<b>66.8</b>	<b>27.0</b>
Grieve Pipeline Revenue <sup>2</sup>		n/a	n/a	n/a	n/a
Other Revenue		n/a	n/a	n/a	n/a
<b>Total Operating Revenue</b>		<b>31.9</b>	<b>35.0</b>	<b>66.8</b>	<b>27.0</b>

# Expenditure

Elk's Share of expenditure<sup>1</sup> for quarter ended 31 December 2018 with historic comparatives

Expenditure (US\$ million)		Three months ended		Year to Date	
Project	Expense	QDec18	QSep18	H2Dec18	H2Dec17
Aneth	Lease Operating Expense	13.4	13.2	26.6	8.0
	CO <sub>2</sub> Capex	1.4	1.4	2.7	0.7
	Maintenance Capex	0.7	0.6	1.3	0.3
	Development Capex	0.8	2.3	3.1	n/a
Madden	Lease Operating Expense	4.0	3.8	7.8	7.1
	Maintenance Capex	0.2	0.1	0.3	1.3
Grieve	Lease Operating Expense	0.4	0.0	0.5	n/a
	CO <sub>2</sub> Capex	n/a	n/a	n/a	n/a
	Maintenance Capex	n/a	n/a	n/a	n/a
	Development Capex <sup>2</sup>	2.1	2.6	4.6	9.4
Grieve Pipeline	Operating Expense	0.0	0.0	0.0	n/a
	Development Capex <sup>2</sup>	0.0	0.0	0.0	0.9
<b>Total Operating Expense</b>		<b>17.8</b>	<b>17.1</b>	<b>34.9</b>	<b>15.1</b>
<b>Total Capital Expense</b>		<b>5.1</b>	<b>7.0</b>	<b>12.1</b>	<b>12.6</b>

## Realised Prices

Realised product prices for the quarter ended 31 December 2018 with historic comparatives

Realised Prices (US\$/unit)			Three months ended		Three months ended		
Project	Product	Units	QDec18	QSep18	Units	QDec18	QSep18
Aneth	Oil	\$/Bbl	51.8	62.9	\$/boe	51.8	62.9
	Sales Gas	\$/MSCF	9.2	1.0	\$/boe	55.2	5.8
	Sales Gas	\$/MSCF	2.9	2.3	\$/boe	17.1	14.0
Madden	Sulphur	\$/Long ton	140.0	121.0	\$/boe	n/a	n/a
	CO <sub>2</sub>	\$/MSCF	0.0	0.1	\$/boe	n/a	n/a
	Oil	\$/Bbl	48.7	61.3	\$/boe	48.7	61.3
Grieve <sup>1</sup>	Oil	\$/Bbl	-	-	\$/boe	0.0	0.0
<b>Average realised prices<sup>2</sup></b>					<b>\$/boe</b>	<b>39.0</b>	<b>46.7</b>
<b>Dated NYMEX WTI<sup>3</sup></b>					<b>\$/bbl</b>	<b>59.0</b>	<b>69.5</b>

1. No oil sales were achievable until Grieve oil pipeline was completely filled. First sales revenue will be in March quarter

2. Excludes Sulphur & CO<sub>2</sub>

3. Spot Pricing, Excludes Customer Differential

# Developments

## Grieve Project oil pipeline filled and first oil sales achieved in December

### Development Activities

Elk has been Operator of the Greater Aneth Field for a year, and as a new Operator we celebrated 12 months with zero employee injuries resulting in Days Away, Restricted activities or Transferred duties. This safety performance was better than the former Operator for the preceding 12 month period and achieved with 19,974 less man hours worked.

### Aneth

McElmo Creek Unit CO<sub>2</sub> Recycle Compression Expansion Project is on schedule. With JV approval and AFE's signed in November orders have been placed for the manufacture of all major components; Compressor, Dehydration Unit, and Transformer. Concurrently right-of way staking and biological/archaeological surveys have begun and air permit approvals submitted with approval expected in January. To support this compression expansion an additional CO<sub>2</sub> supply contract was also negotiated and signed during the quarter.

### Grieve

By mid December the 32 mile (52 km) Grieve pipeline had completed fill-up with 10,650 Bbls of Grieve oil, this was followed by final interconnect and instrument calibration into the Enbridge Crude Oil Terminal at Casper, Wyoming. On December 21, the first Grieve oil shipment of 105 Bbls was delivered into the Terminal. Delivery nominations for January currently stand at 4,650 Bbls oil

### Madden Deep

A fire at the Lost Cabin Train 3 gas processing plant in the evening of December 22 has taken the Train offline while the Operator (46%) ConocoPhillips concludes a full incident investigation. Train 2 gas processing plant continues to run at full capacity providing a third of daily gas production. Elk holds a 14% working interest in the JV

### Madden Shallow

Continued focus on low cost high return projects aimed at optimizing production: well workovers, artificial lift efficiencies and keeping wells unloaded. Gas production, processing and sales are not affected by the Train 3 outage



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## Appendix 5B

# Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

**Name of entity**

**ELK PETROLEUM LIMITED**

**ABN**

**38 112 566 499**

**Quarter ended ("current quarter")**

**31 DECEMBER 2018**

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$US'000</b>	<b>Year to date (6 months) \$US'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers <sup>(1)</sup>	33,948	67,925
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	(1,667)	(3,342)
(c) production <sup>(2)</sup>	(19,216)	(34,791)
(d) staff costs	(2,466)	(4,781)
(e) administration and corporate costs <sup>(3)</sup>	(9,876)	(21,639)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	16	33
1.5 Interest and other costs of finance paid <sup>(4)</sup>	(7,695)	(13,268)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other:		
- cash call received from JV partner <sup>(5)</sup>	3,624	3,624
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(3,332)</b>	<b>(6,239)</b>

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (6 months) \$US'000
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(94)	(315)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets		
- producing assets (capex)	(4,101)	(8,411)
- Aneth contingent consideration <sup>(6)</sup>	(10,000)	(10,000)
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (deposit reimbursement)	100	149
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(14,095)</b>	<b>(18,577)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of:		
- shares	-	5,858
- preferred stock	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes, options or preferred stock	(1)	(132)
3.5 Proceeds from borrowings <sup>(7)</sup>	14,500	33,530
3.6 Repayment of borrowings <sup>(8)</sup>	(21,125)	(36,866)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (6 months) \$US'000
3.9 Other		
- Amount transferred from / (to) Reserve Account as required under the financing arrangement with Benefit Street Partners ("BSP") <sup>(9)</sup>	(27)	9
- Amount transferred from / (to) Aneth Restricted Cash Escrow Account <sup>(10)</sup>	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(6,653)</b>	<b>2,399</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	36,547	34,918
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(3,332)	(6,239)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(14,095)	(18,577)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(6,653)	2,399
4.5 Effect of movement in exchange rates on cash held	(35)	(69)
4.6 Cash and cash equivalents at end of period	12,432	12,432
Cash on deposit in USA available for:		
a) completion of the Grieve Project under the Grieve Term Loan (in addition to item 4.6 above) <sup>(11)</sup>	558	558
b) settling rehabilitation obligations of the Aneth Field (in addition to item 4.6 above) <sup>(10)</sup>	23,045	23,045
<b>Total cash and cash equivalents at end of the period (including cash on deposits in USA)</b>	<b>36,035</b>	<b>36,035</b>
<b>Total cash and total liquidity <sup>(12)</sup></b>	<b>40,985</b>	<b>40,985</b>

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$US'000	Previous quarter \$US'000
5.1 Bank balances	12,432	36,547
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	12,432	36,547
Cash on deposit in USA available for:		
a) completion of the Grieve Project under the Grieve Term Loan (in addition to item 5.5 above) <sup>(11)</sup>	558	530
b) settling rehabilitation obligations of the Aneth Field (in addition to item 5.5 above) <sup>(10)</sup>	23,045	22,861
<b>Total cash and cash equivalents at end of the period (including cash on deposits in USA)</b>	<b>36,035</b>	<b>59,938</b>
<b>Total cash and total liquidity <sup>(12)</sup></b>	<b>40,985</b>	<b>64,938</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$US'000
421
-

The amount represents directors' (and their associates) remuneration including salaries and fees.

7. <b>Payments to related entities of the entity and their associates</b>	Current quarter \$US'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
8.1 Loan facilities <sup>(13)</sup>	199,450	182,875
8.2 Credit standby arrangements <sup>(13)</sup>	550	550
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

See footnotes on page 6 and 7.

9. <b>Estimated cash outflows for next quarter</b>	\$US'000
9.1 Exploration and evaluation	-
9.2 Development	-
9.3 Production <sup>(15)</sup>	20,472
9.4 Staff costs <sup>(15)</sup>	3,105
9.5 Administration and corporate costs <sup>(15)</sup>	3,037
9.6 Other (provide details if material) - Production assets <sup>(14)</sup> <sup>(15)</sup>	6,765
<b>9.7 Total estimated cash outflows</b>	<b>33,379</b>

## Mining exploration entity and oil and gas exploration entity quarterly report

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	N/A	N/A	N/A	N/A
10.2	Interests in mining tenements and petroleum tenements acquired or increased	N/A	N/A	N/A	N/A

Footnotes

- (1) During the quarter the company received cash from oil sales in Aneth of US\$28.2 million (YTD: US\$58.2m). The remainder of cash received during the quarter related to Madden. Madden revenue increased in the quarter owing to increased realised gas prices.
- (2) Production costs increased during the quarter as a result of settlement of severance tax payments for the prior 12 month period of US\$1.9 million to Navajo Tax Commission for Possessory in Interest Tax and US\$1.3 million to San Juan County for Ad Valorem Tax.
- (3) During the quarter the company settled Aneth oil swaps resulting in realised hedge settlements of US\$7.0 million (YTD: US\$15.2 million).
- (4) During the quarter the company paid interest of US\$4.6 million (YTD: US\$8.0 million) to senior loan providers, dividends of US\$2.0 million (YTD: US\$4.0 million) to preferred stock holders and US\$0.8 million to convertible note holders
- (5) During the quarter the company cash-called it's JV partner in advance for US\$3.6million.
- (6) During the quarter the company paid the 1<sup>st</sup> Aneth Acquisition contingent oil price consideration payment of US\$10.0 million to Resolute Energy.
- (7) During the quarter the company withdrew US\$14.5 million of the US\$20.0 million revolving facility with CrossFirst Bank in order to provide working capital support for its Aneth operations. The outstanding balance of the revolving facility as at 31 December 2018 was US\$14.5 million.
- (8) During the quarter the company repaid US\$14.5m of the US\$20.0 million revolving facility, paid the quarterly amortisation of US\$3.0 million (YTD: US\$4.3 million) associated with Elk's US\$122.0 million Aneth Term Loan Facility and a US\$3.6 million equity amortisation payment in relation to the Benefit Street Partners (BSP) initial loan of \$58.0 million. The outstanding balances as at 31 December were as follows: revolving facility US\$14.5 million, senior Aneth loan US\$114.0 million and BSP loan US\$54.4 million
- (9) US dollar debt service reserve account controlled by Benefit Street Partners associated with Elk's term loan agreement. Balance at 31 December 2018 was US\$0.6 million.
- (10) The balance of US dollar restricted escrow cash account associated with Elk's Aneth rehabilitation obligations at 31 December 2018 was US\$23.0 million.
- (11) Balance of US dollar debt service reserve account associated with Elk's Grieve term loan agreement, at 31 December 2018 was US\$0.6 million.
- (12) includes revolving loan available balance of US\$5.0 million (previous quarter: US\$5.0m).
- (13) The company has a US\$58 million senior secured term loan facility with Benefit Street Partners for the Grieve Project JV restructure. During the quarter the company paid an equity amortisation payment of US\$3.6 million. The outstanding balance as at 31 December 2018 was US\$54.4 million.

The company also has a US\$122 million senior term loan with HPS Investments Partners, LLC, Riverstone Credit Partners, L.P and AB Energy Opportunity Fund, L.P. Under the term loan, US\$98 million was used to acquire the Aneth Field and US\$24 million will be used to fund projects in the Aneth Stage 1 Field Development Program. The outstanding balance as at 31 December 2018 was US\$114.0 million.

Further, as part of the Aneth transaction, the company put in place a US\$20 million revolving facility with CrossFirst Bank in order to provide working capital support for Aneth. US\$0.55 million of the revolving facility supports a letter of credit in relation to Aneth. The outstanding balance as at 31 December 2018 was US\$14.5 million.

- <sup>(14)</sup> Cash outflows relating to Aneth growth projects will be funded from proceeds of the Aneth senior loan.
- <sup>(15)</sup> \$21.9 million of the estimated cash outflow for the next quarter will be funded from positive cash flow from the Aneth Oil Field. Other cash outflows will be funded from existing cash, cashflow from the Madden Gas & CO<sub>2</sub> Field, and revolver balance available. The impact of hedging relies on oil spot pricing in the future and has not been included.

**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: Original version signed..... Date: 31 January 2019  
(Company secretary)

Print name: David Franks

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

**ELK PETROLEUM LIMITED ABN 38 112 566 499**

<b>Table 1 - Summary of petroleum tenements as at 31 December 2018</b>			
<b>Project</b>	<b>Location</b>	<b>Lease Reference</b>	<b>Interest</b>
Grieve Unit Federal	Natrona County, Wyoming	WYW-015813	49%
Grieve Unit Federal	Natrona County, Wyoming	WYW-015814	49%
Grieve Unit Federal	Natrona County, Wyoming	WYW-015815	49%
Grieve Unit Federal	Natrona County, Wyoming	WYW-016008	49%
Grieve (In & Out) Federal Grieve Unit – Surface Use	Natrona County, Wyoming	WYW-015824	49%
Aneth Unit - Federal	San Juan County, UT	UTU-068927A	62%
McElmo Creek Unit - Federal	San Juan County, UT	UTU-068930A	67.5%
Ratherford Unit - Federal	San Juan County, UT	UTU-068931A	58.6%
Madden Unit (25 leases) - Federal	Natrona County, Wyoming	N/A	9.38% to 12.5%
Madden Unit (67 leases) - Federal	Fremont County, Wyoming	N/A	12.5% to 12.77%
Madden Unit (14 leases) - State	Fremont County, Wyoming	N/A	1.2% to 14.75%

<b>Table 2 - Summary of petroleum tenements acquired in Quarter</b>			
<b>Project</b>	<b>Location</b>	<b>Lease Reference</b>	<b>Interest</b>
N/A	N/A	N/A	N/A

<b>Table 3 - Summary of petroleum tenements disposed of in Quarter</b>			
<b>Project</b>	<b>Location</b>	<b>Lease Reference</b>	<b>Interest</b>
N/A	N/A	N/A	N/A