



Quarterly Activities Report

Quarter Ending 31 December 2017

Helios Energy Ltd (ASX Code: HE8) (**Helios** or **Company**) is pleased to report its activities for the quarter ended 31 December 2017.

Presidio Oil Project

In the June quarter the Company drilled two wells, Quinn Creek 141 and Quinn Mesa 113, as part of its obligations to drill three wells in the Presidio Oil Project to earn a 70% working interest (**WI**) in the initial 6,400 acres (4,480 net acres) which comprise the Presidio Oil Project in Presidio County, Texas, USA. Helios was required to drill the third well by 31 December 2017 but has been granted an extension until 30 April 2018 to drill the third well. Drilling of the third well is planned to commence in March 2018.

Quinn Mesa 113 Well

During the December quarter, Helios began testing the Quinn Mesa 113 well. The Quinn Mesa 113 vertical well was spud by Helios, as Operator, on 16 June 2017, approximately 2 miles due east of the Quinn Creek 141 surface location. Quinn Mesa 113 was drilled to a TD of 4,000 feet.

As announced to ASX on 29 January 2018, Helios recently completed a 'squeeze job' on Quinn Mesa 113 using a water blocking polymer sealer in an attempt to isolate the primary target perforated zones in the San Carlos Sandstone Formation. Swab testing immediately after the 'squeeze job' resulted in greatly reduced water inflow and therefore it appeared that the 'squeeze job' had been successful. The well was then re-perforated to re-attempt to recover formation fluids from the San Carlos Sandstone Formation.

Post completion of the 'squeeze job' and the re-perforating, swabbing recommenced and once again swabbing recovered low temperature and low salinity water. This strongly suggests that the water is continuing to come from a different formation at shallower depth, highly likely caused by channels in the cement behind the casing. Therefore, the 'squeeze job' has not been able to prevent the inflow of this water which is preventing a valid swab test of the primary target zones within the San Carlos Sandstone interval of the Quinn Mesa 113 well from which high porosity oil and gas bearing samples and cuttings were obtained during drilling and whose oil reservoir properties were subsequently corroborated by a full suite of well logs.

ASX Code: HE8

Directors

Hui Ye
Non-Executive Chairman

Richard He
Managing Director

Nicholas Ong
Non-Executive Director

Gary Steinepreis
Non-Executive Director and
Company Secretary

Contact Details

Australian Office

Level 3, 18 Richardson Street
West Perth WA 6005 Australia

PO Box 1485 West Perth
WA Australia 6872

Tel +61 1300 291 195
Fax +61 8 6298 6191

USA Office

2 Riverway, 17th Floor
Suite 1710, Houston
Texas USA 77056

Tel +1 713 333 3613
Fax +1 713 583 0965

www.heliosenergyld.com



The Quinn Mesa 113 well encountered oil and gas shows while drilling in an interval of over 100 feet in the San Carlos Formation. Samples analysis at the location had oil shows, subsequent samples analyses in the laboratory post drilling had oil shows and analysis of the electric logs were interpreted to indicate hydrocarbon pay.

Testing of the Quinn Mesa 113 well has been suspended so that Helios can assess the results of the testing observed so far. Further testing of the Quinn Mesa 113 well or testing of the Quinn Creek 141 well will now not occur until that assessment has been undertaken and a full interpretation of the recently shot 3D and 2D seismic programme has been completed. The full interpretation of both seismic data sets will be completed by 28 February 2018.

Helios' Board and senior management continue to believe the San Carlos Formation has significant potential. The Company will be reviewing the future well design, the mud programme and the cementing programme for the San Carlos Formation. The current test results will also be reviewed with completion experts to assist with future well design and to consider additional completion attempts in the Quinn Mesa 113 well.

The Company tested a number of separate and distinct zones within the Quinn Mesa 113 well with the primary target interval being the San Carlos Sandstone Formation.

A secondary target interval in the Quinn Mesa 113 well was the Austin Chalk Equivalent Formation. A section of 10 feet of fractured shales and carbonates located in the Austin Chalk Equivalent Formation between 3,900 and 3,910 feet was perforated and tested by Helios. Testing resulted in oil and gas flowing to surface. This positive test is a promising indicator of a new potential shale resource play within the Presidio Oil Project.

An interval of 250 feet of the Austin Chalk Equivalent Formation is present in the Quinn Creek 141 well which is located approximately 2 miles due west of the Quinn Mesa 113 well location. As already noted above, further testing of the Quinn Mesa 113 well or testing of the Quinn Creek 141 well will now not occur until further assessment of the testing results that have been observed in the Quinn Mesa 113 well have been undertaken and a full interpretation of the recently shot 3D and 2D seismic programme has been completed. The testing of the Quinn Creek 141 well will be amended therefore to provide for a more expansive and comprehensive test of this interval of 250 feet of Austin Chalk Equivalent Formation.

3D and 2D Seismic Programme

Shooting of the Company's 3D and 2D seismic programme has been completed. The Company's 3D seismic programme was shot across a 2 square mile area which covers its Quinn Creek 141 well and its Quinn Mesa 113 well and the ground in between the 2 wells.

The 2D line of seismic that was shot is approximately 4 miles in length and covers a line of east-west orientation between the Quinn Creek 141 well and the Quinn Mesa 113 well and their proximate surrounds.



The full interpretation of both seismic data sets will be completed by 28 February 2018.

Leasing Programme

The Company has been actively leasing in the Presidio Oil Project area during the December quarter.

Excluding the initial 6,400 acres (4,480 net acres) of the Presidio Oil Project in which Helios will earn a 70%WI upon completing the drilling of 3 wells by 30 April 2018, the Company has been actively leasing additional acres in close proximity to these initial 6,400 acres and now has a 70%WI in a further 26,096 acres. In addition, Helios has a 70%WI in a further 34,280 acres which have been placed under call option to lease. In total therefore, Helios has under contract a 70%WI in a total of 66,776 acres (46,743 net acres).

Presidio Oil Project – Infrastructure

Access to the Quinn Mesa 113 and the Quinn Creek 141 well locations is provided by a 25 mile unsealed but formed road developed by Helios that branches off the excellent bituminized US-90 highway which carries heavy truck and passenger vehicle traffic.

The Quinn Mesa 113 and the Quinn Creek 141 well locations have access to ample supplies of fresh water provided by local water wells which are supplied by shallow water aquifers.

The El Paso Oil Refinery located in El Paso, Texas is an oil refinery with a processing capacity of 135,000 barrels of oil per day. The El Paso Oil Refinery is located only 170 miles from the Presidio Oil Project. Crude oil is sold there by truck delivery.

The Presidio Oil Project is located only 250 miles (or 5 hours by truck) from Midland, Texas which is the epicenter of the Permian Basin oil industry. All rigs, supplies and services required for the Presidio Oil Project are being sourced from Midland, Texas. Oil production in the Permian Basin is nearing 3,000,000 bopd.

Share Placement

On 27 December 2017, the Company advised that it had conducted a capital raising of \$8,500,000 by the issue of 132,812,500 shares at a price of 6.4 cents per share (**Placement**). The Placement was made to sophisticated and professional investors under the provisions of section 708 of the Corporations Act 2001 (Cth).

Cornerstone Investments by 2 Major Shareholders

The Placement has been cornerstoned by the Company's largest and fifth largest shareholders.

Notable Pioneer Limited (a company associated with Helios' Chairman, Mr Ye) currently owns 394,734,485 shares in the Company which equates to a 30.75% shareholding in Helios.

Notable Pioneer Limited has agreed to subscribe for a further 81,168,828 shares at 6.4 cents per share for a further investment of \$5,194,805. Due to Notable Pioneer Limited owning more than 20%



of Helios and Mr Ye being a director of Helios, this investment of \$5,194,805 is subject to and conditional upon the attainment of all necessary regulatory, shareholder and third-party approvals to issue these 81,168,828 shares (including Helios' shareholders approving the issue of these 81,168,828 shares at a shareholders meeting to be held in late March 2018) for the purposes of:

- (a) section 611, item 7 of the Corporations Act;
- (b) ASX Listing Rule 10.11; and
- (c) for all other purposes.

Notable Pioneer's Limited's subscription capital is on trust account in Australia. It is expected that the Helios shareholders meeting will be held in late March 2018.

Issue and Allotment of Tranche 1

On 5 January 2018, the Company completed Tranche 1 of the Placement by the issue of 36,018,672 shares at 6.4 cents per share to raise \$2,305,195. The placement to the Company's fifth largest shareholder Mr Zhiqiang Shan of a further \$1,000,000 being 15,625,000 shares at 6.4 cents is expected to occur in the next 7 days. Mr Shan's subscription capital is also on trust account in Australia. Mr Shan will become the Company's second largest shareholder upon settlement of his subscription of 15,625,000 shares at 6.4 cents for \$1,000,000.

Board Changes

On 20 October 2017, the Company announced the appointment of Richard He as the new Managing Director of the Company. He is based at the Company's Houston office.

Richard He is an entrepreneur and venture capitalist in natural resources with a particular focus on oil and gas. Mr He was an investment banker and venture capitalist based in Shanghai and Beijing for more than 12 years with a capital markets practice and investment focus on Chinese equities listed on the major Chinese stock exchanges. Over the past 11 years, he has been based in Houston, Texas and has invested in and managed exploration and production shale plays in Texas, USA. Mr He is noted for his successful development of the Halliday Oil Field in the Woodbine tight sands play located in East Texas in which he was a joint venture participant. After drilling 14 successful fracked horizontal wells, the joint venture participants sold the Halliday Oil Field to Halcon Resources for US\$520m.

On 1 December 2017, the Company announced the appointment of Hui Ye as a director and non-executive chairman of the Company.

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.

During the quarter, Tony Brennan and Carl Coward resigned as Directors of the Company. The Board wishes to thank them for their contribution.

For further information, please contact:

Richard He
Managing Director

Competent Person's Statement

This information in this ASX announcement is based on information compiled or reviewed by Stephen Hermeston. Mr. Hermeston is a qualified petroleum geologist with over 35 years of experience in North America, South America, Africa, Middle East, Far East, Europe and other international areas involving technical, operational and executive aspects of petroleum exploration and production, in both onshore and offshore environments. He has extensive experience in petroleum exploration, appraisal and reserve and resource estimation and well as in identifying and evaluating new oil and gas ventures. Mr. Hermeston has a Bachelors degree in Geology and is a member of the American Association of Petroleum Geologists.

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

Helios Energy Ltd

ABN

61 143 932 110

Quarter ended ("current quarter")

31 December 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(1,356)	(3,255)
(b) development		
(c) production		
(d) staff costs		
(e) administration and corporate costs	(205)	(639)
1.3 Dividends received (see note 3)		
1.4 Interest received	11	25
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Research and development refunds		
1.8 Other (Net GST Activity-BAS)	90	35
1.9 Net cash from / (used in) operating activities	(1,460)	(3,834)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment		
(b) tenements (see item 10)	(656)	(1,008)
(c) investments		
(d) other non-current assets		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'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 (provide details if material)		
2.6 Net cash from / (used in) investing activities	(656)	(1,008)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	5,020
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 or options	(2)	(1,152)
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
3.10 Net cash from / (used in) financing activities	(2)	3,868

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	9,750	8,617
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,460)	(3,834)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(656)	(1,008)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(2)	3,868
4.5 Effect of movement in exchange rates on cash held	-	(11)
4.6 Cash and cash equivalents at end of period	7,632	7,632

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 \$A'000	Previous quarter \$A'000
5.1 Bank balances	7,632	9,750
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)	7,632	9,750

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 \$A'000
103
-

Consulting fees, managing director and non-executive directors fees

7. Payments to related entities of the entity and their associates

- 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

Current quarter \$A'000
-
-

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
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.		

--

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	2,000
9.2 Development	-
9.3 Production	-
9.4 Staff costs	-
9.5 Administration and corporate costs	450
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	2,450

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	-	-	-	-
10.2 Interests in mining tenements and petroleum tenements acquired or increased	Trinity Oil Project, Texas	Direct – 100% working interest	3,128 acres	3,128 acres
	Presidio Oil Project, Texas	Drilling 3 wells in earn a 70% working interest	20,569 acres	26,096 acres and 34,280 acres under call option

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: *(lodged electronically)* Date: 31 January 2018
 (Director/Company secretary)

Print name: Gary Steinepreis

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.