

9 April 2020

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 31 MARCH 2020

HIGHLIGHTS

- **Prospective resource of ~1.6 Billion barrels of net oil entitlement (after royalties) independently assessed by ERC Equipoise (ERCE) for Project Peregrine**
- **Four additional leases issued during the March 2020 Quarter confirming 100% owned lease position of 195,373 contiguous acres**
- **All lease fees paid through to March 2021 with no further committed expenditure in Alaska for the remainder of the year**
- **Two further discoveries and flow tests in the same Nanushuk play as XCD's prospects were announced by Oil Search Limited during the March 2020 Quarter**
- **No debt and cash at bank at 31 March 2020 of \$1.2 million**
- **Cost reduction strategies being implemented across the business**

EXECUTIVE SUMMARY

During the March 2020 Quarter, XCD Energy Limited (**ASX:XCD**) immediately reacted to the change in circumstances that have been the result of recent global macro events. Although the short term impact to the Company of these events has not had a material effect on the business, the changes to the investment environment and global energy demand and therefore energy prices has necessitated the Company to review its exploration programme and expenditure over the intervening period.

The Company's leases have long tenure, low holding costs and are in an area and on a play type that continues to deliver new discoveries. The longer-term outlook for oil prices and the potential shift away from unconventional shale drilling in the United States over a sustained period of low energy prices may ultimately be to the Company's advantage, however the current environment is dynamic and there is little visibility at present on what will be the long term effect on the Company.

The Company's most significant expenditure for the year, being the balance payable for the four additional leases acquired late last year and the 2020 annual lease fees, have been made and the assets of the Company are now secured through to March 2021 with no further expenditure commitments.

The Company's prospects are in the Nanushuk formation, which continued to be a focus for drilling activity in Alaska during the March 2020 Quarter and Oil Search Limited (**ASX:OSH**) made several announcements confirming that its two exploration wells targeting the Nanushuk formation had successfully intersected hydrocarbons and have subsequently been flow tested at what appear to be encouraging rates. Please refer to Oil Search's announcement dated 31 March 2020 for further details on the results of the Mitquq and Stirrup exploration wells.

The Company remains in a relatively stable financial position but as always continues to closely monitor and reduce its cost base, particularly in response to recent events, and all non-essential costs have or are being eliminated from the business during this rapidly changing period.

More details on the activities of the Company during the March 2020 Quarter are provided below.

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OPERATIONS - PROJECT PEREGRINE

Project Peregrine covers an area of 195,373 acres made up of 17 leases within the NPR-A in Alaska's prolific North Slope. The leases are around 35km south of the Willow discoveries owned and operated by ConocoPhillips which is estimated to be between 450–800 MMBOE (refer to Figure 1).

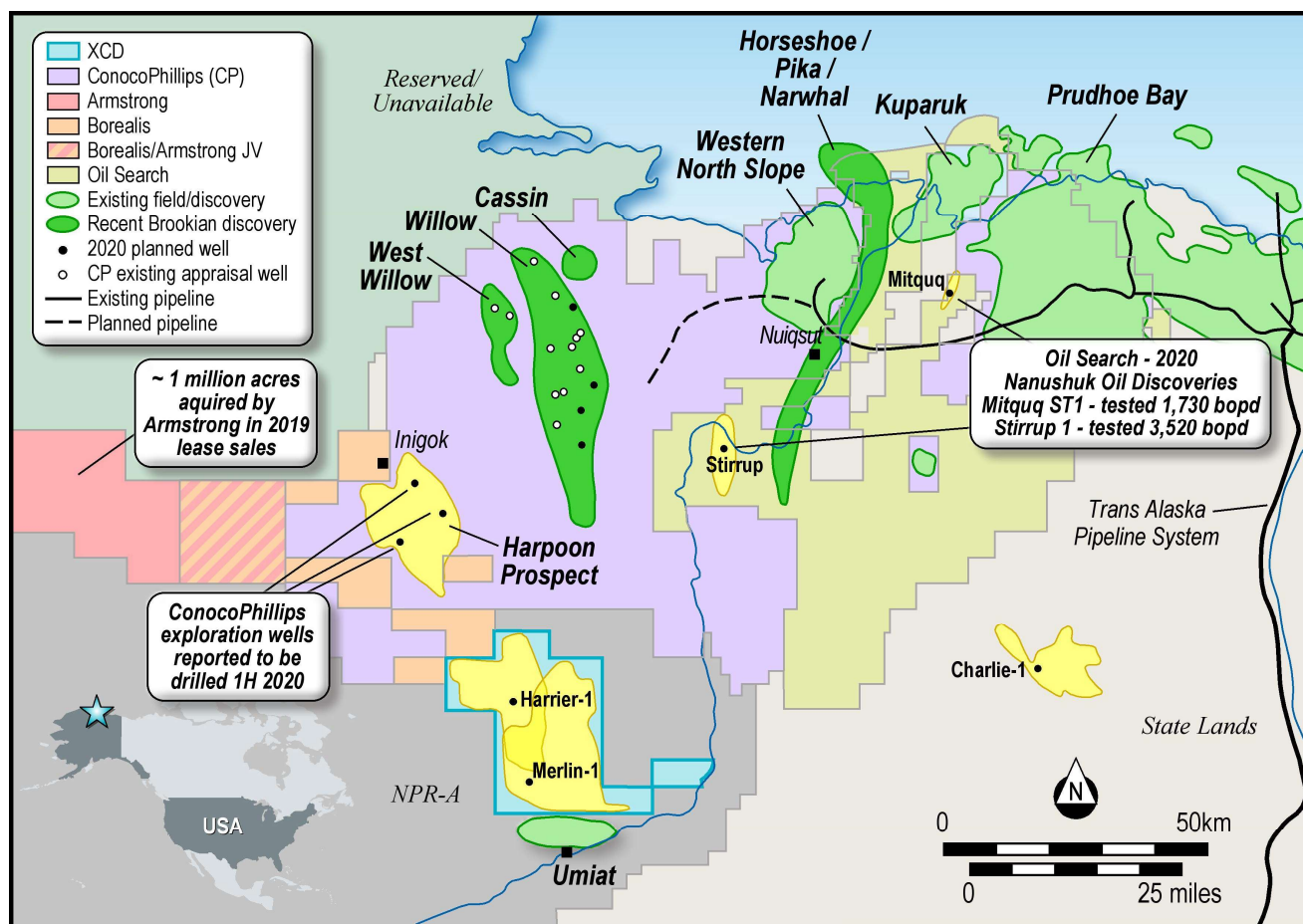


Figure 1: Project Peregrine – Alaska North Slope

Regional Activity

On 31 March 2020, Oil Search announced it had completed the testing of the Mitquq ST1 and the Stirrup 1 exploration wells, both targeting the Nanushuk formation. The details of these tests are provided in Oil Search's announcement, however the headline flow rates of 1,730 barrels of oil per day (bopd) and 3,520 bopd respectively from single stimulated zones is highly encouraging and is a further validation of the prospectivity of the Nanushuk play in Alaska.

ConocoPhillips previously announced they were drilling five (5) further appraisal and up to three (3) exploration wells during this year's winter drilling season. On 18 March 2020, it held a conference call with analysts noting that in response to recent world events, it had reduced its capital spend across the globe including Alaska, however there was no specific details provided with respect to specific projects and ConocoPhillips is due to hold its Q1 Earnings Conference Call on 30 April 2020 where further details on its Alaskan operations are expected to be provided.

Of most relevance to XCD is ConocoPhillips' previously announced intention to drill up to three (3) exploration wells on its Harpoon Prospect which lies approximately 15km to the north west of XCD's

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Harrier Prospect. XCD interprets the Harpoon Prospect (based on USGS 2D seismic data) to be on the same sequence boundaries as the Harrier Prospect and success at Harpoon would likely materially upgrade XCD's Harrier Prospect.

Independent Prospective Resource Report

On 21 January 2020, the Company announced the results of its maiden independent prospective resources report which was undertaken by ERCE.

The data used to compile the independent prospective resource report includes reprocessed 2D seismic data, basin modelling, petrophysical analysis of publicly available wells and historical geological records. The data was compiled and interpreted by XCD and was reviewed, validated and in some cases modified independently by ERCE.

Table 1 below summarises the results of the independent resource estimates, with the range of low (1U) through to high (3U) reflecting the exploratory nature of the prospects and the mean estimates being within the discovered field size distribution of the region.

Table 1: Excerpt from the ERCE Prospective Resource Report

Project Peregrine: Alaska North Slope	Unrisked Net Entitlement to XCD ^{1,2} Prospective Oil Resources (MMstb)				
	Low (1U)	Best (2U)	High (3U)	Mean	COS ⁴
Prospects (Probabilistic Calculations)					
Merlin (Nanushuk)	40	257	1,411	622	32%
Harrier (Nanushuk)	48	207	959	420	18%
Harrier Deep (Torok)	42	266	1,333	572	20%
Prospects Total				1,614 ³	

1. The working interest share of the Prospective Resources is the net entitlement interest to XCD which is calculated as 86% of 100% Working interest after deduction of state royalty (12.5%) and an overriding royalty interest (1.5%) which is accounted for in the table above.

2. The Prospective Resources include the resources associated with four provisionally awarded leases which XCD expects to be formally issued in Q1 2020 (highlighted in dark blue in Figure 1).

3. The unrisked means, which have been arithmetically added to arrive at 1.6 billion barrels in total, is not representative of the expected total from the three prospects and assumes a success case in all three wells.

4. COS represents the geological chance of success of at least one of the stacked layers which comprise each prospect. This excludes phase risk which ERCE has estimated to be 70% oil (30% gas). The Prospective Resources have also not been adjusted for the chance of development, which is estimated by XCD to be 60% (including phase risk), ERCE sees this as reasonable based on the data available. Quantifying the chance of development (COD) requires consideration of both economic contingencies and other contingencies, such as legal, regulatory, market access, politic, social license, internal and external approvals and commitment to project finance and development timing. As many of these factors are outside the knowledge of ERCE they must be used with caution.

***Cautionary Statement:** The estimated quantities of petroleum that may be potentially recovered by the application of a future development project relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation are required to determine the existence of a significant quantity of potentially movable hydrocarbons.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the Company's ASX announcement dated 21 January 2020 and that all the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

Farmout Campaign

The Company commenced its farmout campaign at winter NAPE 2020 in Houston in early February 2020 which was well received with several significant oil and gas companies not currently exposed to the Nanushuk play in Alaska visiting XCD's booth.

Clearly however, the investment climate for all oil companies has changed significantly over the last month and the Company has taken the decision to temporarily suspend the current farmout effort until there is some further visibility on the direction of both oil prices and capital markets.

CORPORATE AND FINANCIAL

The Company remains focussed on cost discipline and continues to closely monitor and reduce its cost base. In response to recent events, the non-executive directors have agreed to defer 50% of their fees effective from 1 April 2020 and the Managing Director has agreed to use accrued annual leave equating to around a 50% net deferment of salary over the next two months. Prior to 31 May 2020, the Board is committed to re-assessing the situation in what is a rapidly changing environment. All other non-essential costs have or are being eliminated from the business over the coming months.

The Company's most significant expenditure for the year, being the balance payable for the four additional leases acquired late last year and the 2020 annual lease fees, were made during the March 2020 Quarter and the assets of the Company are now secured through to March 2021 with no further expenditure commitments. The Company had an appropriate foreign currency risk management policy in place since late last year and these US dollar denominated payments were funded at an equivalent AUD/USD exchange rate of ~0.69, significantly better than the prevailing rate at the time the payments were due.

On 12 February 2020, the Company issued 17.45 million broker options pursuant to a Prospectus dated 5 February 2020. The Prospectus facilitated the listing of both the Broker Options and the previously issued free attaching options which were issued on the ratio of 1 option for every 2 fully paid shares subscribed for in the private placement completed in December 2019. The listed options (**ASX:XCD OA**) are exercisable at \$0.02 per option on or before 30 November 2022

As at 31 March 2020, the Company has approximately 700 million shares on issue and approximately \$1.2M in cash.

SUMMARY OF PETROLEUM TENEMENTS HELD AS AT 31 MARCH 2020

	% Interest	Tenement	Location
Held at end of quarter	100%	17 Alaskan Leases totaling 195,373 acres	North slope of Alaska (NPR-A)
Acquired during quarter	100%	4 Alaskan Leases totaling 45,783 acres	North slope of Alaska (NPR-A)
Disposed during quarter	-	-	-

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For further information on XCD Energy, please visit the Company's website at www.xcdenergy.com