

31 January 2020

## QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 31 DECEMBER 2019

### HIGHLIGHTS

- **Prospective resource of ~1.6 Billion barrels of net oil entitlement (after royalties) independently assessed by ERC Equipoise (ERCE) for Project Peregrine**
- **Successfully bid on four additional leases increasing 100% owned lease position to 195,373 contiguous acres**
- **Completed capital raise of \$2 million as announced on 23 October 2019**
- **Increasing activity in the region with ~US\$250MM being spent on drilling in 2020 on Alaska's North Slope by ConocoPhillips (8 wells), Oil Search (2 wells) and Premier Oil/88E (1 well)**
- **No debt and cash at bank at 31 December of \$2.7 million**

### EXECUTIVE SUMMARY

XCD Energy Limited (**ASX:XCD**) made considerable progress during the December 2019 Quarter both operationally and corporately. The operational highlights included the announcement of the successful bidding on additional acreage in the National Petroleum Reserve of Alaska ("NPR-A") and the release of the Company's maiden independent prospective resource report.

Corporately, the Company completed a \$2 million equity raise, the details of which were announced on 23 October 2019. This additional funding will enable the Company to achieve its short-term objectives including the acquisition of the new leases, payment of the annual lease fees and funding to undertake a farm-out campaign on the 100% owned Project Peregrine.

Various other operators active on the North Slope have announced a significant increase in activity levels and expenditure over the current 2020 winter drilling season, including ConocoPhillips which has announced approximately eight (8) wells to be drilled, all within 35km of XCD's leases and on similar, if not the same, Nanushuk play sequence boundaries that XCD has mapped in its acreage.

More details on the activities of the Company during the December 2019 Quarter are provided below.

### 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).

During the December 2019 Quarter, the Company completed its own proprietary study (the INTRO project) which involved detailed basin modelling in the area of interest, building a sequence stratigraphy framework for the region and full petrophysical interpretation of all the regionally significant wells. This study used expertise from around the world and formed the basis for the prospective resource estimations completed by ERC Equipoise Pte Ltd ("ERCE") (refer to Table 1).

## New Lease Acquisitions

During the December 2019 Quarter, the Company was announced as the high bidder on 45,783 acres (4 leases) in the NPR-A, Oil and Gas Lease Sale 2019. The new leases complement and are adjacent to XCD's existing 149,590 acres Project Peregrine and contain analogous leads to the Harpoon prospect being drilled by ConocoPhillips in its 2020 exploration drilling program (see below).

The National Petroleum Reserve – Alaska, Oil and Gas Lease Sale 2019 was the most successful lease sale in over a decade with over US\$11 million in bids being received by BLM over the 1,051,216 acres bid.

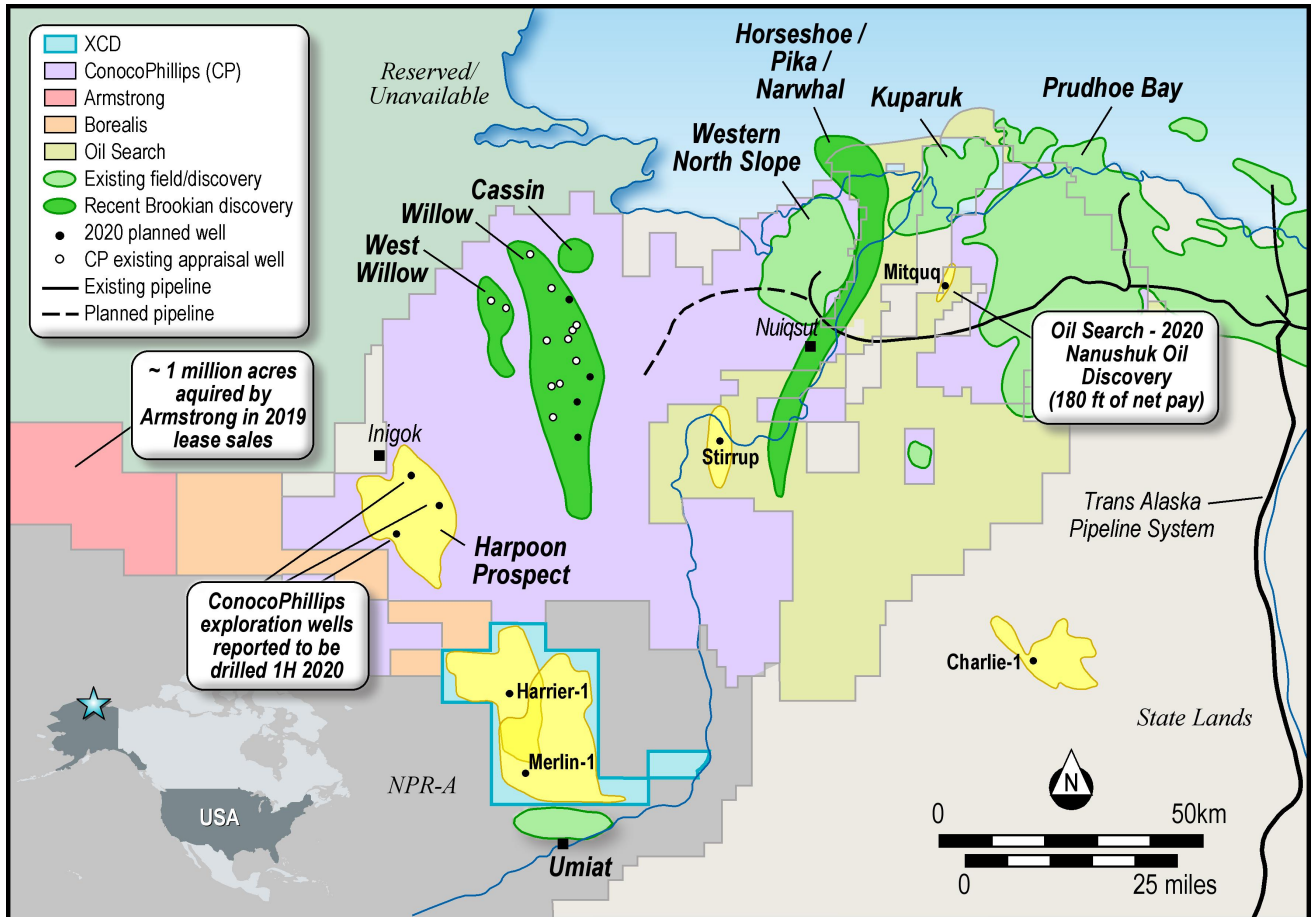


Figure 1: Project Peregrine – Alaska North Slope

## Regional Activity

ConocoPhillips have announced they are drilling five (5) further appraisal wells during this year's winter drilling season (between now and approximately end April 2020). XCD's Merlin Prospect is interpreted to be on the same sequence boundaries as the Willow Oil Field.

In addition, ConocoPhillips announced its intention to drill up to three (3) exploration wells on its Harpoon Prospect which lies approximately 15km to the north west of XCD's 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.

Both the Harrier and Merlin Prospect are targeting the shallow Nanushuk play (~5,000 ft) and can potentially be drilled using a smaller drilling rig, something the Company is continuing to assess. The Harrier Deep Prospect would require a standard north slope drill rig to reach the Torok target (~10,000 ft) but would intersect both the shallow Nanushuk and the deeper Torok objectives in the same wellbore.

### **Independent Prospective Resource Report**

Subsequent to the end of the December 2019 Quarter, the Company completed its maiden independent prospective resources report which was undertaken by ERCE (refer to the ASX announcement dated 21 January 2020).

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 <sup>1,2</sup> Prospective Oil Resources (MMstb)				
	Low (1U)	Best (2U)	High (3U)	Mean	COS <sup>4</sup>
Merlin (Nanushuk)	40	257	1,411	622	32%
Harrier (Nanushuk)	48	207	959	420	18%
Harrier Deep (Torok)	42	266	1,333	572	20%
<b>Prospects Total</b>				<b>1,614 <sup>3</sup></b>	

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, political, 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.

**Low Cost Drilling Initiative**

The Company is continuing discussions with local Alaskan rig contractors with respect to what appears to be a viable low-cost drilling alternative for the relatively shallow Nanushuk play.

Good progress has been made on understanding and developing a low-cost drilling program which could deliver all the data required to determine if the Nanushuk play exists in potentially commercial quantities within XCD's lease area.

Further work is required with respect to permitting and logistics before any certainty can be given as to whether this is a legitimate alternative, but this process is well underway and the Company expects to be able to deliver more details on its plans and a fully costed drilling plan for potential farm-in partners to consider.

**Farmout Campaign**

The Company expects to kick off its farmout campaign next week at winter NAPE 2020 where XCD is presenting and has a booth. NAPE is North America's largest prospect exhibition that *"brings together domestic and international decision makers to forge, facilitate and close deals"*. NAPE 2020 is an opportunity for the Company to launch its farmout campaign but is only a small element of the overall farmout campaign which will target investors from all over the world.

**CORPORATE AND FINANCIAL****\$2M Capital Raise**

On 23 October 2019, the Company announced it had received commitments to raise \$2 million (before costs) by way of a two-tranche placement. During the December 2019 Quarter, the Company completed both the Tranche 1 portion of the raise utilising XCD's existing placement capacity under Listing Rule 7.1, and Tranche 2 of the raise following receipt of shareholder approval at the Company's Annual General Meeting held on 29 November 2019.

As part of the capital raise which was completed at \$0.01 per share, one free attaching option was issued on the ratio of 1 option for every 2 fully paid shares subscribed for and will be exercisable at \$0.02 per option on or before 30 November 2022. The Company intends to seek ASX quotation of the options, although quotation of the options will be subject to XCD lodging a prospectus with ASIC and satisfying the quotation conditions set out in the ASX Listing Rules. This process is expected to be completed in February 2020.

As at 31 December 2019, the Company has approximately 700 million shares on issue and approximately \$2.7M in cash.

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**For further information on XCD Energy, please visit the Company's website at [www.xcdenergy.com](http://www.xcdenergy.com)**