

31 October 2019

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2019

HIGHLIGHTS

- **Best estimate unrisks recoverable prospective oil resource of 255 MMbbls determined for the Merlin Lead (XCD internal estimate)**
- **Archaeological Ground Survey completed in Alaskan summer weather window**
- **Successful capital raise of \$2 million announced on 23 October 2019**
- **Independent Prospective Resource Report commissioned with ERCE and expected to be completed in the December 2019 Quarter**

EXECUTIVE SUMMARY

This is the first quarterly report provided by the Company under the name of XCD Energy Limited (**ASX:XCD**) following the name change and rebranding which occurred in early August 2019.

During the September 2019 Quarter, XCD made solid progress on several fronts both operationally and corporately. The operational highlights included the release of the Company's internally generated prospective resource estimate for one of the main leads in the Project Peregrine area, named the Merlin Lead. This initial internal resource number precedes an independent assessment being undertaken by ERC Equipoise Pte Ltd ("ERCE") of all the leads identified within the Project Peregrine area and which is currently being finalised and is expected to be completed in the December 2019 Quarter.

Corporately, the Company has been active with a complete rebranding completed, including a new website (www.xcdenergy.com). More importantly, XCD secured commitments for additional funding of \$2 million in new equity, as announced on 23 October 2019. This additional funding is expected to enable the Company to achieve its current short-term objectives over the next 12-18 months, including the commencement of a farm-out campaign on the 100% owned ~150,000-acre Project Peregrine.

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

OPERATIONS - PROJECT PEREGRINE

Project Peregrine consists of 13 National Petroleum Reserve of Alaska ("NPR-A") leases covering 149,590 acres over the highly prospective Nanushuk trend on the North Slope of Alaska, with the Willow discoveries currently being appraised and developed by ConocoPhillips only 35km north of Project Peregrine.

During the September 2019 Quarter, the Company completed the reprocessing of approximately 600km (365 miles) of 2D seismic data originally acquired by the United States Geological Survey (USGS) in the 1970's and 1980's. The reprocessed data, along with other regional seismic and well data, was integrated into a more detailed proprietary study, named the Integrated Nanushuk Technical Regional Overview or INTRO Project.

With completion of the reprocessing and work undertaken as part of the INTRO Project, XCD has been able to prepare an internal prospective resource estimate for the Merlin Lead which was re-mapped both in time and depth using RMS amplitude extraction. Reservoir parameters (porosity, oil saturation and recovery factors) were determined from both regional well data and other open file data released by local operators (e.g. ConocoPhillips). Extensive basin modelling and petrophysical interpretation were also used to help determine the Merlin Lead prospective resource estimations.

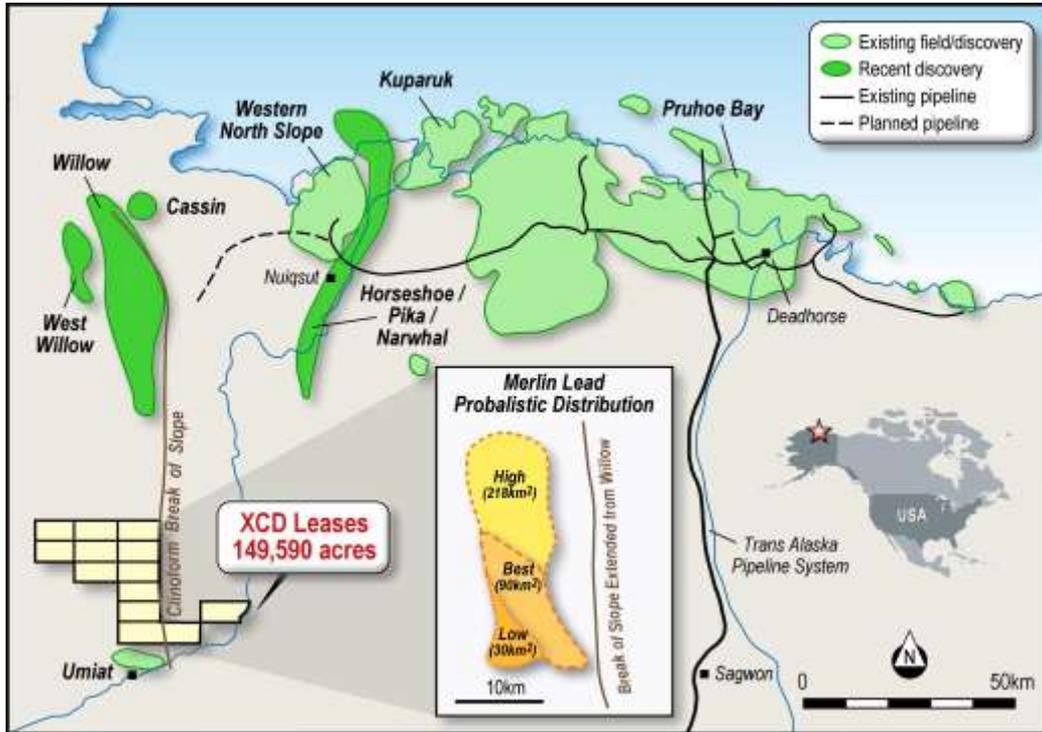


Figure 1: Project Peregrine and Merlin Lead location map – Alaska North Slope

Merlin Lead (100% XCD) <i>Nanushuk (N20 Level)</i>	Prospective Resource Distribution		
	Low	Best	High
OOIP (MMbbls)	275	1112	4503
Recovery Factor	15%	23%	35%
Recoverable Oil (MMbbls)	59	255	1099
Net Recoverable Oil (MMbbls)*	51	219	945

Table 1: Merlin Lead Prospective Resource Estimate (XCD Calculations)

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 Net Recoverable Oil is the Company's economic interest net of royalties. Total royalties are 14%, being 12.5% payable to the United States Federal Government and a 1.5% overriding royalty payable to the original vendors of the initial leases acquired. The amount stated above is net recoverable oil with no allowance for or conversion of natural gas.*

The Chance of Discovery for the Merlin Lead has been calculated at 13% and the Chance of Development has been assessed at 50%. The numbers in Table 1 have not been adjusted for these risk factors. Please refer to the ASX release dated 10 September 2019 for additional disclosures with respect to the Prospective Resources outlined in Table 1.

During the September 2019 Quarter, XCD also completed an archaeological ground survey over Project Peregrine which forms the basis of the key data required to prepare an archaeological report to allow the Company to permit future on-ground operations, including seismic and drilling. The survey was undertaken using helicopter resources out of Deadhorse in Alaska. The ground survey took several days and was completed without incident at the end of the summer weather window (for helicopter operations). Valuable data was collected from the survey and is now being collated and documented to ensure any areas of cultural, historic or archaeological significance are identified.

The Company has also begun investigation and commenced discussions with local Alaskan contractors with respect to what appears to be a viable low-cost drilling alternative for the relatively shallow (1,200-1,500 metres) Nanushuk play. Further investigation is required with respect to permitting and logistics before any certainty can be given as to whether this is a legitimate alternative and work has begun this quarter to validate the concepts being proposed.

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. Tranche 1 (using XCD's existing placement capacity under Listing Rule 7.1) raised approximately \$0.5M (before costs) through the issue of 48,000,000 shares at \$0.01 per share and 24,000,000 free attaching options.

Tranche 2 will raise approximately \$1.5M (before costs) through the issue of 152,000,000 shares at \$0.01 per share and 76,000,000 free attaching options. XCD will seek shareholder approval to conduct the Tranche 2 placement at its Annual General Meeting to be held on 29 November 2019.

The free attaching options will be issued on the basis 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 Listing Rules.

Upon completion of the Placement, the Company will have approximately 700 million shares on issue and approximately \$3.2M in cash.

Shareholder Meetings

On 1 August 2019, the Company convened a general meeting to consider resolutions to:

1. Change the Company's name to XCD Energy Limited;

2. Approve the issue of Performance Rights to the Managing Director; and
3. Adopt a new updated modern Constitution.

All resolutions were passed on a show of hands.

The Annual General Meeting (“AGM”) of the Company will be held at the Company’s offices at 11am on Friday 29 November 2019. The Notice of Meeting was despatched to shareholders on 29 October 2019 and is available for viewing or download on the Company’s website.

The Board welcomes shareholders attendance at the AGM.

Financial

As at 30 September 2019, XCD held cash reserves of approximately \$1.3 million and has no debt. Upon completion of the Placement announced on 23 October 2019, the Company will have approximately \$3.2M in cash.

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