

20 May 2020

IMPROVED ROYALTY AND RISKING FOR PROJECT PEREGRINE AND TAKEOVER UPDATE

- Overriding royalty interest (ORRI) owners agree to reduce royalty from 1.5% to 1.3% across an expanded area of mutual interest (AMI) with XCD Energy’s net entitlement interest marginally increased to 86.2% following the reduction in the ORRI percentage
- ERC Equipoise (ERCE) has completed a review of the risking post Harpoon drilling which has increased the chance of success (COS) for both the Merlin and Harrier Prospects
- XCD Energy’s Target Statement expected to be dispatched to XCD listed security holders early next week following lodgment with ASX

XCD Energy Limited (ASX:XCD) (“XCD or the “Company”) is pleased to announce the outcome of an update to the Independent Prospective Resources Report completed by ERC Equipoise Pte Ltd (ERCE) in January 2020. The update was commissioned by the Company following an agreement with the ORRI owners to reduce the royalty from 1.5% to 1.3% and following the successful encountering of hydrocarbons at the Harpoon exploration well, operated and drilled by ConocoPhillips during the recent Alaskan winter drilling season.

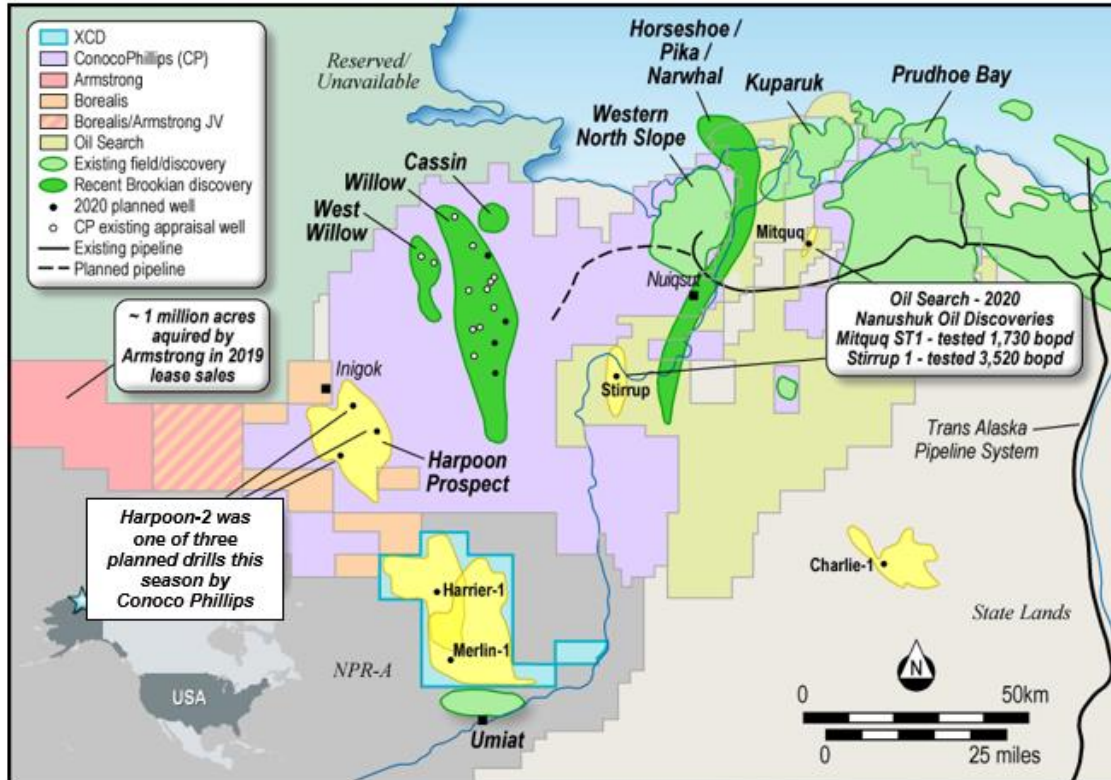


Figure 1: XCD lease position relative to ConocoPhillips recent Harpoon exploration well

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ERCE has determined that the encountering of hydrocarbons at Harpoon warranted a review of the risking and it has increased the containment chance of success for the reservoir intervals in the Merlin and Harrier Prospects. All other methodology and individual reservoir interval volumes remain unchanged.

This has resulted in an increase in each of the Merlin and Harrier Prospects COS and the aggregated success case volumes. At a prospect level, both the COS and volumes have increased as an exploration well is more likely to encounter hydrocarbons, but also more likely to encounter multiple reservoir layers, and as a result the total success case numbers have increased.

The net entitlement to XCD numbers have also increased by 0.2% as a direct result of the reduction in the ORRI following an agreement to expand the area of mutual interest (AMI). The expanded AMI now contains all the Company's leases (previously it included only 15 of 17) and includes additional unleased areas to the west of the previous AMI boundary. At this stage, the Company has no intention of acquiring any additional leases within the AMI.

The updated volumes and risks associated with the Project Peregrine Prospects are presented in the table below.

Project Peregrine: Alaska North Slope	Unrisked Net Entitlement to XCD ¹ Prospective Oil Resources (MMstb)				
	Low (1U)	Best (2U)	High (3U)	Mean	COS ⁴
Prospects (Probabilistic Calculations)					
Merlin (Nanushuk)	41	270	1,463	645	37%
Harrier (Nanushuk)	48	207	940	417	24%
Harrier Deep (Torok)	42	267	1,336	574	20%
Prospects Total				1,636 ³	

1. The working interest share of the Prospective Resources is the net entitlement interest to XCD which is calculated as 86.2% of 100% Working interest after deduction of state royalty (12.5%) and an overriding royalty interest (1.3%) which is accounted for in the table above.

2. The Prospective Resources presented here are the result of a risked probabilistic aggregation of the individual stacked prospective layers in each prospect; the success case estimates present the distribution of possible outcomes in the event that at least one prospective layer is successful.

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.

Other than as noted above, 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. Please also refer to the Disclaimers in Schedule 1 attached to this ASX release.

Update on Recommended Off Market Takeover Bid by 88 Energy

As announced on 27 April 2020, the Company is subject to an off market takeover bid by 88 Energy Limited (ASX:88E) which the Board of the Company has subsequently recommended to shareholders to accept, in the absence of a Superior Proposal, following an increase in the offer being made to the Company's shareholders as announced on 7 May 2020.

88 Energy lodged its Bidder's Statement with ASIC and the Company on 11 May 2020 and the Company understands this will be dispatched to XCD Energy shareholders and listed option holders this week. The Company is currently in the process of preparing its Target Statement and expects to dispatch it to XCD Energy security holders early next week following lodgment with ASX.

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

This ASX announcement was approved and authorized for release by XCD Energy's Board of Directors.

SCHEDULE 1

Disclaimers:

Cautionary Statement for Prospective Resource Estimates - With respect to the Prospective Resource estimates contained within this report, it should be noted that the estimated quantities of gas that may potentially be recovered by the future application of a development project relate to undiscovered accumulations. These estimates have an associated risk of discovery and risk of development. Further exploration and appraisal is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Hydrocarbon Resource Estimates – The Prospective Resource estimates for Project Peregrine presented in this report are prepared as at 20 January 2020 and have been updated as at 19 May 2020. The Prospective Resource estimates are quoted on an unrisks basis together with the geological chance of success for each prospect. The unrisks mean total presented in the table is not representative of the expected total from the three prospects and assumes a success case in all three wells. ERCE has considered the chance of discovering oil over gas to be 70%. Chance of development 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.

Government Royalty and Overriding Royalty Interests – The Project Peregrine leases (“Leases”) are situated in the National Petroleum Reserve – Alaska (NPR-A) and are administered by the US Department of the Interior - Bureau of Land Management (BLM). All leases issued by BLM are subject to a royalty and XCD’s Leases are subject to a 12.5% government royalty. In addition, the Leases are subject to an overriding royalty of 1.3% payable to non-related parties of the Company. The net economic interest to XCD has therefore been calculated as 86.2% and the Net Entitlement Prospective Resources have been adjusted to reflect this.

Competent Person Statement Information – In this updated report information relating to hydrocarbon resource estimates have been supplied by ERCE, and the company has stated in the Report that it has been prepared in accordance with the definitions and guidelines set forth in the Petroleum Resources Management System, 2018, approved by the Society of Petroleum Engineers and have been prepared using probabilistic methods. ERC Equipoise Pte Ltd, the independent resource reviewer named in this document, has consented to the inclusion of information relevant to their review in the form and context in which it appears. The update to the report has been prepared under the supervision of Mr Greg Channon who is the chief geological advisor to XCD. Mr Channon is a qualified geoscientist with over 30 years of oil and gas industry experience and a member of the AAPG. Mr Peter Stickland, who is the Chairman of XCD, has peer reviewed the Prospective Resource update process. Mr Stickland is a qualified geoscientist with over 25 years of oil and gas industry experience. Mr Stickland and Mr Channon consent to the inclusion of the information in this report relating to hydrocarbon Prospective Resources in the form and context in which it appears.

Forward looking statements – This document may include forward looking statements. Forward looking statements include, are not necessarily limited to, statements concerning XCD’s planned operation program and other statements that are not historic facts. When used in this document, the words such as “could”, “plan”, “estimate”, “expect”, “intend”, “may”, “potential”, “should” and similar expressions are forward looking statements. Although XCD believes the expectations reflected in these are reasonable, such statements involve risks and uncertainties, and no assurance can be given that actual results will be consistent with these forward-looking statements. The entity confirms that it is not aware of any new information or data that materially affects the information included in this announcement and that all material assumptions and technical parameters underpinning this announcement continue to apply and have not materially changed.