


whitebark
ENERGY
Quarterly Activity Report
30 April 2020

Highlights

• Production

Whitebark Energy Limited ('Whitebark' or 'the Company') optimised production and achieved notable milestones throughout the March 2020 quarter.

- The company recorded net production levels for the quarter of 38,972 bbls of oil and 211,252 mcf gas, equating to 74,182 boe (up materially from 27,452 boe in the previous quarter).
- Following completion of the new onsite oil separation and storage facilities in December 2019, oil sales from the new facilities commenced on the 2 January 2020.
- Gas is being successfully transported in the new 15km pipeline to Petrus facilities and sold into the Atco pipeline system to BP plc.
- The quarterly production levels were encouraging given early commissioning challenges for new wells and facilities, COVID-19 related business disruptions, and extreme volatility in the oil price.
- On 12 March 2020, the gross production from the Wizard Lake Oil field passed the milestone of 50,000 bbls oil and 200 million cubic feet of gas.

• Corporate

○ The global Covid-19 Pandemic has disrupted economic activity around the world and significantly depressed energy demand, while at the same time tension within OPEC has led to major supply increases. The combined effect has been a negative shock to oil prices. Whitebark has responded appropriately to safeguard its staff and business operations in this period of heightened uncertainty:

- All staff and operations have adopted safe working practices as per the recommendations of the Canadian and Australian Governments.
- **The Directors of Whitebark, including Managing Director David Messina, have agreed to a 50% reduction in remuneration effective 15th April 2020.**
- Permanent and contract employees have agreed to take a reduction in remuneration while ensuring current activities and statutory reporting obligations are still met.

• Wizard Lake Oilfield Acquisition

- Whitebark, through its wholly owned subsidiary Salt Bush Energy Limited (SBE), has terminated the Definitive Agreement to acquire the residual 40% interest in the Wizard Lake Oilfield.
- Under the Farm-In and Joint Operating Agreements, there will be no material changes to WBE cashflow from the field as a result of not completing the Agreement while the wells pay out their development capital expenditure.
- SBE remains operator of the Wizard Lake Oilfield and retains a first right of refusal over the balance of interests in the Wizard Lake Oilfield.

• Production Outlook

- While oil prices remain low the company will not be drilling any new wells or committing to any other non-essential capital expenditure.
- The company has the ability to react quickly when oil market conditions improve.

Activities

Canadian Operations

Wizard Lake – (WBE 60% WI)

Acquisition¹

As announced on 18 December 2019, the acquisition of the Wizard Lake assets was structured as a staged process. Stage 1 was completed on 23 December 2019 with SBE moving to 60% ownership¹. WBE/SBE has the right to acquire the remaining 40% interest in Wizard Lake for C\$2.8m and C\$2m in WBE shares (Stage 2 and Stage 3).

Under the Agreement, Closing of Stage 2 was subject to the Company arranging appropriate financing in 2020 and shareholder approval for the WBE shares, with a close date of 31 March 2020. The WBE shares were approved by shareholders at the General Meeting held on 24 February 2020². Due to the rapid decline in global economic conditions, particularly the recent decline in oil prices, the financing has not been achieved and nor would it be prudent to proceed given present market conditions.

Accordingly, SBE has served notice to terminate the Definitive Agreement after Stage 1 and will remain with a 60% interest and Operatorship of the field. Due to ongoing payback arrangements associated with the 2019 Farmin Agreement and Wizard Lake Joint Operating Agreement (JOA), SBE will continue to receive 85 - 100% of field income until past development costs are recovered. Under existing agreements, SBE retains first right of refusal on any sale of the 40% interest it does not own, presenting an opportunity at a future date.

Operating Costs and Production Stability

In January, WBE announced the successful commissioning of the upgraded facilities with production reaching 1,000 boepd after 16 days of operating incident free³. The facilities separate the gas from the liquids for sales via the Petrus gas processing facilities which are located 15km to the North West. Gas throughput has been held at 2 – 2.5 mmcf/d during this period while the wells continued to clean-up and stabilize.

Total field production at this stage (from two wells still in clean-up mode) averaged approximately 550 bopd and 2.2mmcf/d.

During the first half of February and following the extremely difficult operating conditions in January, the production of the Wizard Lake Oilfield reached a gross rate peak of 1,220 bopd and 3.5 mmcf/d gas, which equates to ~1800 boepd when all wells were online.



Figure 1 - Commissioned Facilities at Wizard Lake

In response to the significant reduction in the oil price, the Company took immediate steps to maximise the long term returns from its Wizard Lake oil field in Alberta, Canada⁴. Production will be constrained to between 200 to 250 barrels of oil per day (bopd) and 1.5 - 2 million cubic feet of gas per day (mmcf/d), which equates to ~450 – 580 barrels of oil equivalent per day (boepd). This is to optimise the value of reserves while oil prices

¹ ASX Release 18 & 24 December 2019, 30 March 2020

² ASX Release 24 February 2020

³ ASX Release 7 January

⁴ ASX Release 12 March 2020

remain at low levels, while still generating significant cashflow for the Company. The gross production of the Wizard Lake Oil Field at the time of this constraint had attained the milestone of 50,000 bbls oil and 200 million cubic feet of gas.

As announced on 12 March, the Company has also been able to establish its operating costs at Wizard Lake, based on production of 600bopd, at CDN\$7.50/bbl oil⁴. Further reductions in fixed costs are available if the rental equipment is acquired rather than leased. The Company is currently exploring the cost benefit of undertaking this exercise.

The oil royalty in Alberta varies according to the nature of the agreement with the Crown or freehold landowner. From the existing three wells at Wizard Lake, royalties are averaging 16% of Gross Revenue. No costs are assigned to the Company's gas production other than the tolling rate at the interconnected Petrus processing facility which is circa 95c/mcf.

Rex-4⁵

The drilling of Whitebark's Rex-4 well has been deferred until oil prices improve. As all the necessary approvals have been received, the timing of the next well can easily be varied to suit company circumstances and could be accelerated or delayed depending on economic circumstances.

Western Australian Operations – Warro Gas Project (WBE WI 100%)

The Warro project continues to be in care and maintenance, awaiting Government guidance on the regulatory changes to be made to implement the recommendations of the Fracking Inquiry. An announcement in July 2019 outlined the implementation schedule and the lifting of the moratorium on fracking. Whilst the Government has invited the submission of well plans from industry, there is no regulatory regime currently in place that can guide the planning process.

The company can now anticipate a time when further work at the field can be considered once the regulatory framework is in place – currently scheduled to be available by the end of 2020. The commercial viability of the field will require a fracture stimulation regulatory regime with fit for purpose processes which delivers approvals in a timely and cost-effective manner.

Planned Activities to 30 June 2020

- Manage production rates of Rex-1, 2 and 3 in light of current commodity prices.
- Minimise costs across the group.
- Maintain option to drill Rex-4.

Corporate

Overheads Cuts⁶

As a result of the Covid-19 pandemic, all staff and operations have adopted safe working practices as per the recommendations of the Canadian and Australian Governments.

Whitebark Energy responded to the current slump in oil prices and concurrent Covid-19 pandemic to protect its staff and the Company's financial standing with substantial cuts to its overheads, including the temporary reduction in Directors' fees and salaries by 50 per cent. Permanent and contract employees have also agreed to a temporary reduction in remuneration while ensuring maintenance of current activities and statutory reporting obligations are met. These measures will be reviewed by the Board prior to June 30, 2020.

Subsequent Events⁷

Point Loma Resources Ltd (PLX) has announced the sale of 97.5% of its circa 40% working interest (WI) in the Wizard Lake Oilfield assets for an amount of \$CDN 2.9m. The sale is to Point Loma's secured debenture holders and a secured creditor in exchange for cancellation of all the outstanding secured debentures and amounts owed to the secured creditor. Pursuant to the terms of the Farmout and Option Agreement dated 29 May 2019,

⁵ ASX Release 12 & 23 March 2020

⁶ ASX Release 23 March 2020

⁷ ASX Release 21 April 2020

Whitebark has a 30 day period closing on 21 May 2020 to exercise a right of first refusal with respect to the WI being sold by PLX, should it choose to do so.

Payments to related parties of the entity and their associates

Related party payments of \$202,000 were paid during the period, which represent Director remuneration and consulting fees.

This ASX announcement was approved and authorised for release by the Board of Whitebark Energy Limited.

For further information:

David Messina

Managing Director

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Tenement Schedule

Canada (Net Acres)

	December Quarter	Relinquishments	Acquisitions	March Quarter
Wizard Lake	4704	0	0	4704*

* WI varies from 60% to 100%

Australia (Net Acres)

Project	WBE	Location	Change during the quarter
Warro JV – RL7	36,480	Western Australia	No change

SUPPORTING INFORMATION

A Note Regarding Forward Looking Information

This announcement includes certain statements related to our future business and financial performance and future events or developments involving Whitebark Energy Limited ('WBE' or 'the Company') that may constitute forward-looking statements. All statements, other than statements of historical fact, that refer to any future oil and gas production, resources or reserves, exploration results and events that the Company expects to occur are forward-looking statements. Although the Company believes that the expectations in those forward-looking statements are based upon reasonable assumptions, such statements are not a guarantee of future performance and actual results or developments may differ materially from the outcomes anticipated. This may be due to several factors, including market prices, exploration and exploitation success, and the continued availability of capital and financing, plus general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance, and actual results or performance may differ materially from those projected in the forward-looking statements. The Company does not assume any obligation to update or revise its forward-looking statements, whether as a result of new information, future events or otherwise.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of oil and gas reserves and resources that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

Conversion of gas to Barrels of Oil Equivalent (BOE) is done on the basis of 6mcf = 1 BOE.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

WHITEBARK ENERGY LIMITED

ABN

68 079 432 796

Quarter ended ("current quarter")

31 MARCH 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,666	2,651
1.2 Payments for		
(a) exploration & evaluation (if expensed)	(123)	(274)
(b) development	-	-
(c) production	(718)	(1,582)
(d) staff costs	(199)	(617)
(e) administration and corporate costs	(332)	(2,073)
1.3 Dividends received (see note 3)		
1.4 Interest received	3	9
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	297	(1,886)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) tenements – Wizard Lake		(1,455)
(c) property, plant and equipment		
(d) exploration & evaluation (if capitalised)		
(e) investments		
(f) other - non-current development expenditure	(3,345)	(6,594)

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment		
	(d) investments		235
	(e) 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	(3,345)	(7,814)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	188	9,641
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(10)	(651)
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	178	8,990
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5,073	2,923
4.2	Net cash from / (used in) operating activities (item 1.9 above)	297	(1,886)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3,345)	(7,814)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	178	8,990

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	43	33
4.6	Cash and cash equivalents at end of period	2,246	2,246

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	2,206	5,034
5.2	Call deposits	40	40
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)	2,246	5,074

6. Payments to related parties of the entity and their associates

6.1	Aggregate amount of payments to related parties and their associates included in item 1	202
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

**Current quarter
\$A'000**

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities		
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities		
7.5 Unused financing facilities available at quarter end		
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	297
8.2 Capitalised development expenditure (Item 2.1(f))	(3,345)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(3,048)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	2,246
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	2,246
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	0.74

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

- Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: No

Due to the current slump in oil prices and the impact of COVID-19, the Company has taken measures to protect the Company's financial standing with substantial cuts in overheads to ensure security of assets and to conserve cash balances by, amongst others, stopping all non-discretionary expenditure, including any development or exploration capital expenditure, reducing fees for Directors by 50% and agreeing cuts to the remuneration of permanent and contract employees where possible (refer ASX release 23 March 2020). The company has also communicated with a number of its significant creditors extending payment terms over the next 2 quarters through proceeds from Wizard Lake operations.

- Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Yes

The Directors are currently reviewing a range of financing options which may include the further issue of new equity. Based on demonstrated past successes with raising equity the directors reasonably expect that they will be able to raise sufficient funds to meet its production and working capital requirements.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes

With the measures currently in place to ensure security of its assets and conserve cash reserves, combined with the deferred creditor plan and option to raise further capital in the coming months, the Directors are of the opinion that the entity will be able to continue its operations and meet its business objectives.

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.

Date: 30 April 2020

Authorised by: The Board of Directors of Whitebark Energy Limited
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.