


whitebark
ENERGY
Quarterly Activity Report
31 July 2020

Highlights

Corporate

Entitlement Offer Successfully raises \$2.98m (Subsequent Event)

The non-renounceable entitlement issue announced 30 June 2020 has raised A\$2.98 with 995,279,563 new shares to be issued.

- The \$2.98m was made up of \$1.28m in subscriptions and \$1.7m underwritten.
- The shortfall of \$54,380 is expected to be allocated in the near future.

Wizard Lake Working Interest Increase

Whitebark's Canadian subsidiary Salt Bush Energy (SBE) renewed the mineral lease over three sections (713 ha) of its Wizard Lake Oilfield (WLO) increasing the company's overall average working interest in the oil and gas rights to 85%. (announced June 9th, 2020)

- 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

Whitebark continues to manage production from the Wizard Lake Oilfield as the oil price recovers.

- The Company recorded net production levels for the quarter of 16,599 bbls of oil and 127,190 mcf gas. equating to 37,797 boe (down from 74,182 boe in the previous quarter due primarily to production curtailments).
- Operation capacity was retained through the oil price crash giving the Company the ability to increase production on the back of improved oil pricing.
- During the Quarter, maintenance work commenced on Rex-1 to replace an existing pump, and Rex-3 to install a new pump at a cost of approximately \$225,000.

Development Outlook

While oil prices have rebounded from the unprecedented lows experienced in April to approximately WTI US\$ 40/bbl, further development work at Wizard Oilfield has been suspended until an extended period of stable pricing is achieved.

Covid-19

The global Covid-19 Pandemic continues to disrupt economic activity around the world and impact energy demand and reduce commodity prices. Whitebark continues to safeguard its staff and business operations in this period of heightened uncertainty while maintaining production from the Wizard Lake Oilfield at reduced levels.

Canadian Operations

Wizard Lake – (WBE ~85% WI)

JV Partner Ceases Operation

On 21 May 2020, Point Loma Resources (PLX) announced that it “no longer had the financial capability to carry on its operations” and ceased all operations effective from that date.

Following the cessation of operations by PLX, the Alberta Energy Regulator (AER) confirmed that SBE will continue operating the Rex-1 and Rex-2 wells licenced by PLX pending formal transfer of the well licenses to SBE. SBE is already the formal licensee of the Rex-3 well. The Orphan Well Association (OWA) has appointed a receiver to PLX.

Production

To mitigate the recent volatility in oil prices, WBE reduced the well pump output rate on Rex-1 and Rex-2, while allowing Rex-3 to continue to flow freely for most of the period. These measures were taken to maintain well integrity and preserve future production potential and cash flow. The Company has been able to maintain a low operating cost of less than CDN\$10 per barrel. The Company also negotiated favourable commercial terms for the net back oil price received from production in May resulting in positive operational cashflows during the month.

Rex-3

On 19 June 2020, WBE announced that production from Rex-3 would recommence following the installation of a subsurface pump in the well. The running of the pump was done along with other routine maintenance activities at the Wizard Lake Oilfield. Rex-3 was drilled and completed in December 2019 and has flowed unassisted since production start-up in January 2020. During the past five months Rex-3 yielded 35,800 barrels of oil and 251,000 mcf of gas. The pump is a normal rod-driven unit and provides the required lift to bring the well fluids to surface.

To preserve existing cash, the Company obtained a short term, unsecured loan for \$200,000 from its Chairman Charles Morgan, and Corporate advisers Adelaide Equity Partners Limited via its nominee, Chesser Nominees Pty Ltd¹. The loan has a 10% per annum interest rate and is to be repaid prior to December 31, 2020 or from the proceeds of the current fund raising initiatives.

Rex-4²

The drilling of Whitebark’s Rex-4 well has been deferred until oil prices improve and stabilise. As all the necessary approvals have been received, the timing of the next well can easily be varied to suit economic circumstances.

Mineral Lease Renewal Increases Working Interest³

On 9 June 2020, WBE announced the successful early renewal of the mineral lease over three sections of land (713 ha). The 100% mineral rights in the three sections has taken WBE’s interest in over ten sections covering the Wizard Lake Oilfield to an average of 85%. Ownership of the individual sections ranges from 60% to 100%, however as sections are renewed, under the ROFR rules, the Company may increase its interest in the sections to 100% which would further increase the average ownership of the field.

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.

¹ ASX Release 19 June 2020

² ASX Release 12 & 23 March 2020

³ ASX Release 9 June 2020

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 future commercial viability of the field will depend on gas prices and require a fracture stimulation regulatory regime with fit for purpose processes which delivers approvals in a timely and cost-effective manner.

Corporate

Non-Renounceable Entitlement Issue

Following a trading halt requested on June 26th the company announced a 1 for 3 non-renounceable entitlement offer at 0.3 cents per share on June 30th. The offer sought to raise up to \$3m for Wizard Lake improvements, land acquisitions and working capital (accrued and pending).

- Shareholders applied for additional shares
- Directors have committed to participate
- The entitlement offer shortfall was partially underwritten to circa.\$1.7m by Baker Young Limited

The Company announced the results of the entitlement issue on 30 July 2020 which was very well supported by the Company's shareholders and raised \$2.98m (before costs). The Company will issue 995,279,563 shares in accordance with the Offer timetable.

Planned Activities to 30 September 2020

- Continual optimisation of production rates of Rex-1, 2 and 3.
- Manage cost reductions across the group.
- Maintain option to drill Rex-4.

Subsequent Events

Rex-3

On 22 July, the Company announced Rex-3 was up and running following the installation of the new bottom hole pump. The insert rod pump was installed to reinvigorate the well and assist the recovery of the oil and gas from the reservoir. At the time of the announcement, the pump was cycling at approximately 4 strokes per minute as the well productivity is optimised.

The pump was originally placed at approximately 1476m TVD before being raised to 1192 mKB to optimise its gas handling capacity. The new pump will be run at varying speeds over the next three months to determine the most efficient means to produce the well. Experience from the first two wells has indicated that each well has unique characteristics which will influence how each is finally optimised.

All three wells are now being pumped up 88.9 mm tubing using insert rod pump designs. In order to maximise pumping flexibility and optimisation versatility, natural gas-powered hydraulic lifting units are being utilised at surface to pump the wells.

Tenement Schedule

Canada (Net Acres)

	March Quarter	Relinquishments	Acquisitions	June Quarter
Wizard Lake	4704	0	768	5472*

* WI averages 85%

Australia (Net Acres)

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

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

For further information:

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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")

30 JUNE 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	379	3,328
1.2 Payments for		
(a) exploration & evaluation (if expensed)	(53)	(327)
(b) development	-	-
(c) production	(618)	(2,200)
(d) staff costs	(137)	(754)
(e) administration and corporate costs	(222)	(2,294)
(f) production - royalties	(271)	(569)
1.3 Dividends received (see note 3)		
1.4 Interest received	-	9
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives	62	62
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(860)	(2,745)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) tenements – Wizard Lake	(74)	(1,529)
(c) property, plant and equipment		
(d) exploration & evaluation (if capitalised)		
(e) investments		
(f) other - non-current development expenditure	(286)	(6,880)

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 (12 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	(360)	(8,174)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	(75)	9,566
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	7	(644)
3.5	Proceeds from borrowings	200	200
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	132	9,122

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,246	2,923
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(860)	(2,745)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(360)	(8,174)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	132	9,122

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 (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(42)	(10)
4.6	Cash and cash equivalents at end of period	1,116	1,116

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	1,076	2,206
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)	1,116	2,246

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

**Current quarter
\$A'000**

39

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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)	200	200
7.4 Total financing facilities	200	200

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.

Financier 1 – Chesser Nominees Pty Ltd - \$100,000 unsecured loan interest bearing at 10% pa accruing monthly. Repayment in full on or before 31 December 2020.

Financier 2 – Mr Charles Morgan - \$100,000 unsecured loan interest bearing at 10% pa accruing monthly. Repayment in full on or before 31 December 2020.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(860)
8.2 Capitalised development expenditure (Item 2.1(f))	(286)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(1,146)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	1,116
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	1,116
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	0.97

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 continued impact of oil price fluctuations and COVID-19, the measures taken by the Company to protect the Company's financial standing will continue. These measures were put in place to ensure security of assets and to conserve cash balances and included, amongst other measures, the cessation of all non-discretionary expenditure, including any development or exploration capital expenditure, reducing fees for Directors and agreeing cuts to the remuneration of permanent and contract employees where possible (refer ASX release 23 March 2020). The company continues to communicate 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 Company announced an entitlement issue (Offer) on the 30th June 2020. The Offer closed on 30 July 2020 and has raised an amount of \$2.98m (before costs) for the issue of 995,279,563 shares in accordance with the Offer timetable.

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 close of the Rights Issue disclosed above and in conjunction with ongoing measures to conserve cash reserves, combined with the deferred creditor plan, 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: 31 July 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.