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whitebark ENERGY

Quarterly Activity Report

27 October 2020

Highlights

Corporate

Entitlement Offer Successfully raises $3.04m

On 30 June 2020, the Company announced a 1 for 3 non-renounceable entitlement offer at 0.3 cents per share. The offer was partially underwritten to c.$1.7m by Baker Young Limited and successfully raised $3.04m1. The funds raised are targeted for working capital (comprising operational and capital costs accrued and pending), acquisition of land mineral leases, Wizard Lake field maintenance and workovers. The entitlement offer was fully subscribed after placement of the shortfall.

M&A Activity

- A process was commenced to dispose of all, or part, of WBE's interest in the 100% owned multi tcf Warro gas field in WA.
- The company continues to dedicate resources to identify and review distressed assets as possible acquisitions targets.

Operations

Whitebark continues to optimise production from the Wizard Lake Oilfield as the oil price recovers and stabilises.

- A turnaround (annual shutdown and maintenance) on facilities was undertaken and components were upgraded or replaced as required.
- A cleanout was undertaken on Rex-2 to remove a sand blockage.
- The Company recorded production levels for the quarter of 17,460 bbls of oil and 114,574 mcf gas equating to 36,556 boe (similar to 37,797 boe in the previous period even with interruptions).
- While prices have remained subdued, all wells have had a workover or pump replacement undertaken during the last four months and, with the recent completion of the turnaround, the field should be well placed to enter a period of low maintenance.



Figure 1 - Rex-2 Workover by Whitebark's wholly owned subsidiary, Salt Bush Energy.

[1] ASX Releases 30 June, 30 July, 18 August 2020

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Appendix 5B

It is important to note that as a result of our announced repayment plan of aged creditors there is $185,000 of aged creditor payments included in 1.2 (e) Administration and Corporate Costs. These payments were made following completion of the entitlement offer in July 2020. Payments relating to the current period are approximately $243,000.

Development Outlook

While oil prices have rebounded from the unprecedented lows experienced in Q2 to approximately WTI US$40/bbl, further drilling work at Wizard Oilfield remains suspended until financial conditions allow.

Canadian Operations

Wizard Lake – (WBE ~85-100% WI)

Rex-2 Cleanout

Following a lower than expected response to pump rate increases over June and July, the company decided to undertake a workover of Rex-2 at its Wizard Lake Oilfield. As Rex-2 had been held back immediately after initial testing due to the limitations on facilities in late 2019, and then again in 2020 due to Covid-19 related curtailments, it has not been obvious until recently that the well had a sand blockage issue.

A new technique was identified using a modification of a traditional jet pump, Jetsweep, which enabled large volumes of sand to be efficiently extracted from the 1500m horizontal section of the well.

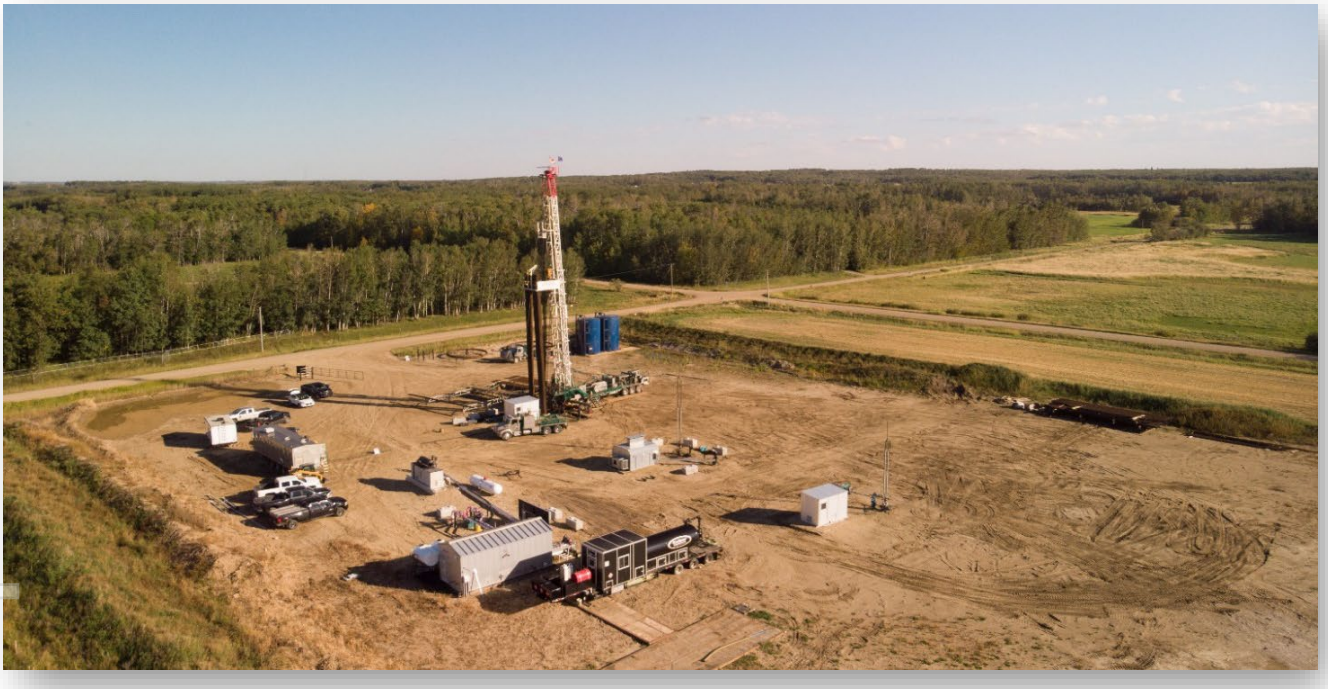


Figure 2 - Rex-2 Workover

The Jetsweep tool encountered a solid sand bridge in the horizontal portion of the well, 650m from the heel, and proceeded to remove approximately ten cubic meters of sand from the remainder of the well.

The sand was primarily made up of proppant that had been injected into the formation when the well was completed in August 2019. It is evident from this, and similar observations in Rex-3, that the conventional Rex sand the oil is being produced from requires carefully managed, fit-for-purpose initial flow back techniques to minimise early sand returns.

No similar sand issues were experienced in Rex-1, which produces significantly less gas, suggesting early gas fluctuations in production may be one of the key causes for the early sand ingress as gas “burps” of up to the equivalent of 7-10mmcf/d were experienced in both Rex-2 and 3 during initial testing.

The company now has a better understanding of the characteristics of the Wizard Lake Oil field, which combines a unique combination of high gas rates and medium gravity oil from a conventional sand.

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Wizard Lake Turnaround

A facility and well site turnaround, an annual maintenance event, is essentially an inspection where various tanks and separators are opened in order to inspect them and carry out any required preventative maintenance.

The majority of the activity occurred at the production facility but the turnaround also involved similar work at the well pad which contains the three Rex wells and the test separator.

Production

Production is currently sitting at approx. 180 to 190bbls oil/d and 1300 mcf/d gas, which equates to approximately 400 BOE/d.

Production from Rex-1 and 3 is recovering after the recent turnaround.

Post the recent clean-out work, the production from Rex-2 continues to increase. Some of the water from the well is believed to be original load and frac fluid coming from the toe of the well, a section which was likely occluded by sand early in the life of the well.

We are anticipating rates to increase and stabilise in the next 30-45 days and this will be the basis for our winter production cycle.

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

The Company commenced a formal divestment process for its Warro Gas Project during September 2020[2]. The decision to divest is a culmination of a strategic review of the asset over the previous 12 months together with increased interest in the project in the current WA gas market.

Recent activity in the Perth Basin presents opportunities to further investigate this massive gas field as an onshore option to shore up domestic gas supplies. Successful outcomes from this process may include farm-in, outright sale or an alternative transaction structure.

The Warro gas field is located in Retention Lease 7, 200 kilometres north of Perth and is 100% owned by Whitebark. The project is ideally located just north of the large ~650 Terajoule per day Perth market and is 30km east of both the Dampier-Bunbury Natural Gas Pipeline and the Dongara-Perth Parmelia Pipeline which gives full access to the 1,200 Terajoule per day Western Australian gas market[3].

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.

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.

Planned Activities to 31 December 2020

- Continual optimisation of production rates of Rex-1, 2 and 3.
- Manage cost reductions across the group.
- Maintain option to drill Rex-4.
- Continue to review and potentially bid on acquisition opportunities.

[2] ASX Release 2 September 2020
[3] 2019 Western Australian Gas Statement of Opportunities, Australian energy market Operator, December 2019

Tenement Schedule

Canada (Net Acres)

	June Quarter	Relinquishments	Acquisitions	September Quarter
Wizard Lake	5344*	0	0	5344

** June Quarter total corrected*

Australia (Net Acres)

Project	WBE	Location	Change during the quarter
Warro JV – RL7	54,360	Western Australia	No change

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

For further information:
David Messina, Managing Director

Ph: +61 8 6555 6000

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.

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Appendix 5B

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

Name of entity

WHITEBARK ENERGY LIMITED

ABN	Quarter ended ("current quarter")
68 079 432 796	30 SEPTEMBER 2020

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	658	658
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	(152)	(152)
	(b) development	-	-
	(c) production	(464)	(464)
	(d) staff costs	(210)	(210)
	(e) administration and corporate costs[1]	(428)	(428)
	(f) production – royalties	(56)	(56)
	(g) Field maintenance costs	(310)	(310)
1.3	Dividends received (see note 3)		
1.4	Interest received	1	1
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Government grants and tax incentives	79	79
1.8	Other		
1.9	**Net cash from / (used in) operating activities**	**(882)**	**(882)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities		
	(b) tenements – Wizard Lake	-	-
	(c) property, plant and equipment		
	(d) exploration & evaluation (if capitalised)	(3)	(3)

[1] Includes $185,000 Aged/Deferred Creditors

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
	(e) investments		
	(f) other - non-current development expenditure – approx. $1.1m of this total relates to payment of deferred creditors for capital works programs from prior year	(1,150)	(1,150)
2.2	Proceeds from the disposal of:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment		
	(d) investments		
	(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**	**(1,153)**	**(1,153)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	3,040	3,040
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options	10	10
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(221)	(221)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	(200)	(200)
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**	**2,629**	**2,629**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	1,116	1,116
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(882)	(882)

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,153)	(1,153)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,629	2,629
4.5	Effect of movement in exchange rates on cash held	(14)	(14)
4.6	**Cash and cash equivalents at end of period**	**1,696**	**1,696**

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	1,656	1,656
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)**	**1,696**	**1,696**

6.	**Payments to related parties of the entity and their associates**	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	129
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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

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7.	**Financing facilities** *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.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
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)	(882)
8.2	Capitalised development expenditure (Item 2.1(f))	(1,153)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(2,035)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	1,696
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	1,696
8.7	**Estimated quarters of funding available (Item 8.6 divided by Item 8.3)**	0.83

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

1. 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?

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Answer: No

The global Covid-19 Pandemic continues to disrupt economic activity around the world and impact energy demand and reduced commodity prices. The Company continues to monitor measures in place to ensure security of assets and to conserve cash balances.

During the quarter, the company has communicated with a number of significant creditors regarding extending payment terms beyond their contracted payment dates which will see repayments made from proceeds from its Wizard Lake Operations. This process of repayments on creditor balances commenced during this quarter and will continue over the next two quarters. Included in the cash flows for this quarter are approximately $185k of administration and $1.1million of capitalised development expenditure that related to creditors from prior periods.

Field maintenance costs ($310k) incurred in this quarter include workover costs undertaken at Rex-2 (as detailed in the quarterly activities report) and prepaid costs relating to annual shutdown and maintenance on facilities. These costs are not anticipated to reoccur in the next two quarters. Following the workover and turnaround on the wells, the production rates have begun to increase. The Company continues to work to optimise the production rates to allow for increased revenues.

2. 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: No

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

The Company has maintained ongoing measures to conserve cash reserves by managing cost reductions in the group. This combined with the deferred creditor plan (which has continued cooperation from creditors) and continual optimisation of production rates in order to increase cash flows from production; the Directors are of the opinion that the entity will be able to continue its operations and meet its business objectives

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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: 27 October 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.

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