



TARGET'S STATEMENT

by

XCD ENERGY LIMITED
ACN 108 403 425

in relation to the Offers by

88 ENERGY LIMITED
ACN 072 964 179

**TO ACQUIRE YOUR SHARES AND LISTED OPTIONS IN
XCD ENERGY LIMITED**

**XCD Energy's Directors Unanimously Recommend
That You**

ACCEPT

**88 Energy's Offers in the absence of a Superior Proposal and subject to the
Independent Expert continuing to conclude that the Offers are reasonable**

THIS IS AN IMPORTANT DOCUMENT

Please call 1300 095 745 (callers in Australia) or +61 3 9415 4300 (callers outside Australia) if you have any questions or require assistance with your acceptance.

If you do not understand it or are in doubt as to how to act, you should consult your lawyer, accountant, stockbroker or financial adviser immediately.

Legal Adviser:



Financial Adviser:



IMPORTANT INFORMATION

This is an important document. If you do not understand it or are in doubt as to how to act, you should consult your lawyer, accountant, stockbroker or financial adviser immediately.

Nature of this document

This Target's Statement is dated 25 May 2020 and is given under section 638 of the Corporations Act by XCD Energy in response to the Bidder's Statement dated 21 May 2020 and served on XCD Energy by 88 Energy on that date.

ASIC Disclaimer

A copy of this Target's Statement has been lodged with the Australian Securities and Investments Commission. Neither the Australian Securities and Investments Commission nor any of its officers take any responsibility for the content of this Target's Statement.

No account of personal circumstances

The recommendations of the XCD Directors obtained in this Target's Statement and the Independent Expert's Report that accompanies it, do not take into account the individual investment objectives, financial situation or particular needs of each XCD Securityholder. You may wish to seek independent professional advice before making a decision as to whether to accept or not to accept the Offers.

Defined terms

Various defined terms are used in this Target's Statement. Unless the contrary intention appears, the context requires otherwise or words are defined in Section 10 of this Target's Statement, words and phrases in this Target's Statement (other than the Independent Expert's Report) have the same meaning and interpretation as in the Corporations Act. The Independent Expert's Report contains its own defined terms.

Bidder's Statement

The information on 88 Energy, 88 Energy's securities contained in this Target's Statement has been prepared by XCD Energy using publicly available information.

The information in this Target's Statement concerning 88 Energy and the assets and liabilities, financial position and performance, profits and losses and prospects of 88 Energy, has not been independently verified by XCD Energy. Accordingly, XCD Energy does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

Prospective Resources

The information in this Target's Statement that relates to Prospective Resources for XCD Energy is based on, and fairly represents, information and supporting documentation prepared by, or under the supervision of, Mr Greg Channon who is the chief geological adviser to XCD Energy. Mr Channon is a qualified geologist with over 30 years of oil and gas industry experience and is a member of the American Association of Petroleum Geologists. Mr Channon consents to the inclusion of such information in this Target's Statement in the form and context in which it appears.

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KEY POINTS

- 88 Energy is offering 2.4 new 88 Energy Shares for each XCD Share you own under the Share Offer and 0.7 new 88 Energy Shares for each XCD Listed Option you own under the Listed Option Offer.
- The Independent Expert has concluded that 88 Energy's Offers for your XCD Shares and XCD Listed Options is fair and reasonable to XCD Securityholders.
- The XCD Directors recommend that, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Offers are reasonable, you ACCEPT the Offers (See Section 1.1 of this Target's Statement for further details).
- 88 Energy's Offers are subject to a number of conditions (see Section 6.2 of this Target's Statement), including minimum acceptance conditions that 88 Energy receive acceptance of the Offers in respect of 90% of all XCD Shares and 90% of all XCD Listed Options.
- Unless extended or withdrawn beforehand, 88 Energy's Offers will expire on 25 June 2020.
- Each of the XCD Directors intend, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Offers are reasonable, to accept the Offers in respect of all XCD Shares and XCD Listed Options which they own or control (including any XCD Shares issued on conversion of the XCD Performance Rights) by 15 June 2020.

IMPORTANT DATES

Date of 88 Energy's original bidder's statement	11 May 2020
Date of 88 Energy's replacement Bidder's Statement	21 May 2020
Date of 88 Energy's Offers	25 May 2020
Date of this Target's Statement	25 May 2020
Close of 88 Energy's Offer Period (unless extended or withdrawn)	5:00pm (AWST) on 25 June 2020

Letter from the Board of XCD Energy

25 May 2020

Dear XCD Securityholder

As you may be aware, 88 Energy and XCD Energy have recently announced the terms of a unanimously recommended off-market takeover bid for all of your shares and listed options in XCD Energy.

Under the Offers, 88 Energy is offering to acquire all of your XCD Shares and XCD Listed Options on the basis of 2.4 new 88 Energy Shares for each XCD Share you own and 0.7 new 88 Energy Shares for each XCD Listed Option you own.

This Target's Statement is made in response to 88 Energy's Bidder's Statement dated 21 May 2020 and is accompanied by a report by the Independent Expert, BDO.

The Independent Expert has concluded that 88 Energy's Offers for your XCD Shares and XCD Listed Options are fair and reasonable, for the reasons specified in the Independent Expert's Report.

In addition, the consideration being offered by 88 Energy under the Offers implies a substantial premium for your XCD Shares and XCD Listed Options as outlined in Section 1.2(b).

After careful consideration of the Offers and the opinion of the Independent Expert, your Board has made the unanimous decision to recommend the Offers, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Offers are reasonable. Each Director intends to accept the Offers in respect of all XCD Shares and XCD Listed Options held or controlled by them, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Offers are reasonable.

Your Board's recommendation is based on a number of factors, including the following:

- (a) the Offers provide an attractive premium for your XCD Shares and XCD Listed Options over pre-Announcement Date prices;
- (b) the Independent Expert has concluded that the Offers are fair and reasonable to XCD Securityholders;
- (c) the Offers provide the potential for enhanced liquidity for XCD Securityholders;
- (d) XCD Securityholders have the opportunity to participate in the strategic benefits, project diversity and operational synergies of the Combined Group; and
- (e) the Combined Group will have greater market presence and investor awareness, an enhanced ability to attract project partners and a greater likelihood of being able to fund its growth opportunities compared to XCD Energy on a standalone basis
- (f) XCD Directors are unaware of a Superior Proposal as at the date of this Target's Statement.

When assessing whether to accept the Offers you should be aware that the Offers are subject to a number of conditions, which are in Section 6.2 of this Target's Statement. You should also consider the risks associated with accepting the Offers and risks relating to an investment in 88 Energy or the Combined Group which are in Section 8.3 and the taxation implications of the Offers which are in Section 9.1 of this Target's Statement.

To accept the Offers, you should carefully follow the instructions in the Bidder's Statement and complete the Acceptance Form enclosed with the Bidder's Statement. The Offers are due to close at 5:00pm (AWST) on 25 June 2020.

If you have any questions in relation to your position as an XCD Securityholder, I encourage you to seek either financial or legal advice without delay or contact the XCD Securityholder Information Line on 1300 095 745 (toll free) from within Australia, or on +61 3 9415 4300 from outside Australia. Please note that these calls may be recorded.

Your sincerely

A handwritten signature in black ink, appearing to read 'Peter Stickland', is centered within a light blue rectangular box.

Peter Stickland
Non-Executive Chairman

1. Recommendations of the XCD Directors

1.1 Directors' Recommendation

Your XCD Directors unanimously recommend that, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Offers are reasonable, you accept 88 Energy's Offers for your XCD Shares and XCD Listed Options.

In making this recommendation, your XCD Directors have considered the merits of 88 Energy's Offers and weighed up the factors for and against acceptance which are summarised below in this Section 1. XCD Directors will continue to monitor all relevant factors detailed in this Section 1 to the Directors' recommendation during the Offer Period and as necessary will update XCD Securityholders as required.

In making their decision, XCD Securityholders should:

- (a) read the Bidder's Statement and this Target's Statement in full including the Independent Expert's Report accompanying this Target's Statement; and
- (b) consider the future prospects of 88 Energy and XCD Energy as a Combined Group compared to the future prospects of XCD Energy (as a separate entity).

1.2 The key considerations in favour of accepting the Offers:

- (a) **XCD Directors unanimously recommend you accept the Offers, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Offers are reasonable**

Having carefully considered the terms of the Offers and any available alternatives, your XCD Directors unanimously recommend that you ACCEPT the Offers, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Offers are reasonable.

In the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Offers are reasonable, the XCD Directors, who all own or control XCD Shares and XCD Listed Options, have indicated that they will accept, or procure the acceptances of, the Offers in respect for the XCD Shares and XCD Listed Options that they own or control.

In aggregate the XCD Directors own or have a Relevant Interest in 23,925,658 XCD Shares representing approximately 3.42% of all XCD Shares at the date of this Target's Statement. The XCD Directors own or have a Relevant Interest in 4,250,000 XCD Listed Options representing approximately 3.62% of all XCD Listed Options at the date of this Target's Statement.¹

XCD Energy's Managing Director also holds 20,000,000 XCD Performance Rights, of which 10,000,000 XCD Performance Rights are intended to vest and convert upon 88 Energy acquiring a Relevant Interest in more than 50% of the XCD Shares and the Offers becoming or being declared unconditional. Once XCD Shares are issued on conversion of the XCD Performance Rights, the XCD Directors will together own or control 33,925,658 XCD Shares representing approximately 4.78% of the expanded share capital of XCD Energy.² XCD Energy's Managing Director has indicated that he will

¹ Excluding XCD Unlisted Options held by XCD Directors.

² Excluding XCD Listed Options and XCD Unlisted Options held by XCD Directors.

accept the Share Offer in respect for the XCD Shares issued on conversion of the XCD Performance Rights.

(b) **The Offers provide an attractive premium for your XCD Shares and XCD Listed Options over pre-Announcement Date prices**

Share Offer:

The consideration being offered by 88 Energy of 2.4 88 Energy Shares for each XCD Share implies a value of 1.46 cents per XCD Share based on 88 Energy’s 5-Day VWAP of 0.61 cents up to and including 22 May 2020 (being the last trading day prior to the date of this Target’s Statement).

As depicted in the chart below, this implied value per XCD Share of 1.46 cents represents an attractive range of premia to XCD Energy’s closing price and various VWAPs up to and including 24 April 2020 (being the last trading day prior to the Announcement Date). The implied value of the Share Offer also represents a significant premium to XCD Energy’s most recent capital raising price of 1.0 cent per XCD Share, which was completed in November 2019 when the crude oil price was over US\$50 per barrel.

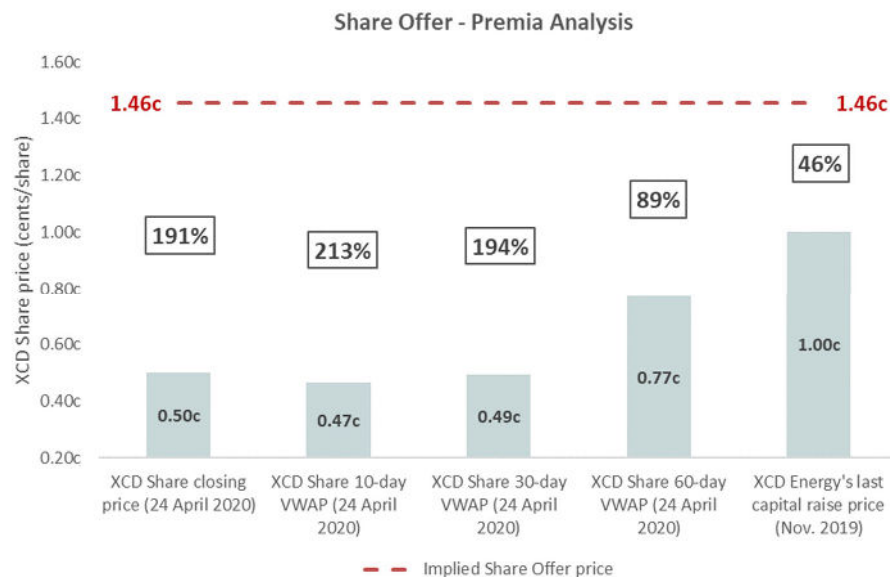


Figure 1: Premia analysis of implied value under the Share Offer.

Listed Option Offer:

The consideration being offered by 88 Energy of 0.70 of an 88 Energy Share for each XCD Listed Option implies a value of 0.42 cents per XCD Listed Option based on 88 Energy’s 5-Day VWAP of 0.61 cents up to and including 22 May 2020 (being the last trading day prior to the date of this Target’s Statement).

As depicted in the chart below, this implied value per XCD Listed Option of 0.42 cents represents an attractive range of premia to the closing price of XCD Listed Options on 24 April 2020 (being the last trading day prior to the Announcement Date) as well as to the VWAP of XCD Listed Options between listing on 25 February 2020 and up to and including 24 April 2020.

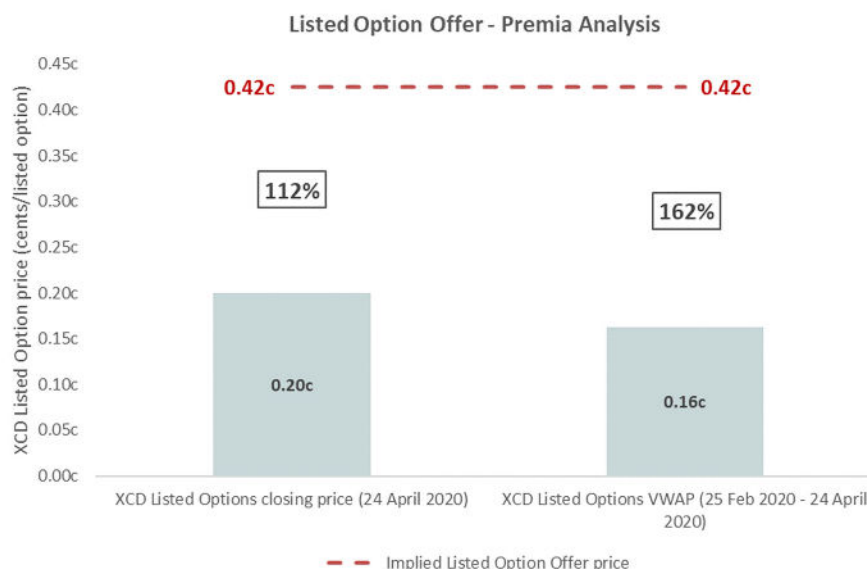


Figure 2: Premia analysis of implied value under the Listed Option Offer.

In recent months, there has been considerable volatility in the oil and gas sector, with the crude oil price trading at some of the lowest levels and with some of the highest volatility seen in decades. This commodity price volatility, general oil and gas sector weakness and operational results have contributed to volatility in both the 88 Energy and XCD Energy share prices and this volatility has potential to continue in the near term. As such, the implied value of the Offers and premia will most likely fluctuate throughout the Offer Period with movements in the 88 Energy share price.

The table in Section 4.2 of this Target’s Statement sets out the implied value of both the Share Offer and Listed Option Offer assuming a range of different share prices for 88 Energy on the ASX.

(c) **The Independent Expert has concluded that the Offers are fair and reasonable to XCD Securityholders**

XCD Energy has engaged the Independent Expert, BDO, to prepare the Independent Expert's Report in relation to the Offers, opining on whether the Offers are fair and reasonable to XCD Securityholders.

As part of the preparation of the Independent Expert's Report, RISC has been engaged as the Independent Technical Specialist to prepare the Independent Technical Specialist's Report for inclusion in the Independent Expert's Report. The Independent Expert's Report (including the Independent Technical Specialist's Report) is included in Schedule 2.

The Independent Expert has concluded that the Offers are **FAIR AND REASONABLE** to XCD Securityholders, on the basis that:

- (i) the assessed value of the consideration under the Offers is within the range of the assessed value of XCD Shares and XCD Listed Options; and
- (ii) the position of XCD Shareholders and XCD Listed Option holders if the Offers are accepted is more advantageous than the position if the Offers are not accepted.

More specifically, the Independent Expert has concluded that the assessed value of the consideration under the Offers is within the range of the assessed value of XCD Shares and XCD Listed Options (or above the range of the assessed value of XCD Shares if using the Independent Expert's secondary valuation methodology), as follows:

(i) XCD Shares

Based on the Independent Expert's primary valuation methodology of net asset value, the assessed value of XCD Shares is between \$0.008 and \$0.034 per XCD Share (on a control basis).

The assessed value of the consideration under the Share Offer is between \$0.014 and \$0.017 per XCD Share (on a minority basis).

However, it is noted that, based on the secondary valuation methodology of quoted market prices, the assessed value of XCD Shares is between \$0.006 and \$0.011 per XCD Share (on a control basis).

(ii) XCD Listed Options

The assessed value of XCD Listed Options is between \$0.003 and \$0.006 per XCD Listed Option.

The assessed value of the consideration under the Listed Option Offer is between \$0.004 and \$0.005 per XCD Listed Option (on a minority basis).

See section 14 of the Independent Expert's Report for the Independent Expert's analysis of the advantages and disadvantages of the Offers and the other considerations used in its determination that the Offers are reasonable. The advantages and disadvantages of the Offers are summarised on pages 4 and 5 of the Independent Expert's Report as follows:

Advantages*

The Shareholder Offer is fair

The Option Holder Offer is fair

Shareholders and Option Holders who accept the Offers will receive shares in a more diversified company with a stronger balance sheet

Better prospects for farm out agreements

Shareholders and Option Holders who accept the Offers will receive shares in a company with a greater ability to raise funds

Disadvantages*

Shareholders who accept the Offer will no longer hold a direct interest in XCD

In the event 88E is successful in acquiring an interest of greater than 50.1% in XCD and 88E declares the Offer free of the 90% minimum acceptance condition, Shareholders will hold a diluted interest in 88E

Shareholders and Option Holders who accept the Offers will be exposed to the debt held by 88E

Shareholders and Option Holders who accept the Offers may be subject to potential tax implications.

Shareholders and Option Holders who accept the Offers will receive shares in a company with improved liquidity

Shareholders and Option Holders who accept the Offers will retain some exposure to the upside potential of XCD's Project Peregrine.

* The information above is taken from the Independent Expert's Report and accordingly uses terms as defined in that report, which may differ from defined terms in this Target's Statement. Please refer to the Glossary in Appendix 1 of the Independent Expert's Report for the relevant definitions.

The Independent Expert has also concluded that the Offers are fair and reasonable in the circumstances for the reasons set out in the Independent Expert's Report.

More specifically, the Independent Expert notes as follows, on page 60 of the Independent Expert's Report:

"Based on quoted market prices, which is our secondary valuation methodology, our assessed value range of an XCD share on a control basis is between \$0.006 and \$0.011 which is below the value of the Offer".

The Independent Expert's Report accompanies this Target's Statement in Schedule 2. Your Directors encourage you to consider that report carefully as part of your assessment of the Offers.

(d) The Offers provide enhanced liquidity

In addition to the attractive range of premia for the Offers outlined above, an important consideration is that the Offers have the potential to provide XCD Securityholders with far superior liquidity and therefore ability to crystallise their investments.

Over the 30 trading days on the ASX up to and including 24 April 2020 (the last trading day prior to the Announcement Date) an average of \$366,216 of 88 Energy Shares traded per day. This average daily traded amount is equivalent to approximately 3.5% of XCD Energy's implied market capitalisation, based on a 1.46 cent XCD Share Offer Price, of approximately \$10.3 million³. In comparison, \$8,498 of XCD Shares traded per day in the same time period, equivalent to approximately 0.1% of the same \$10.3 million implied XCD Energy market capitalisation.

³ XCD Energy's implied market capitalisation is based on 88 Energy's 5-Day VWAP of 0.61 cents up to and including 22 May 2020 (being the last trading day prior to the date of this Target's Statement) and 709,728,934 XCD Shares which includes 10,000,000 XCD Shares which are intended to be issued on conversion of XCD Performance Rights (see Section 7.1(a) of this Target's Statement for further details on these XCD Performance Rights).

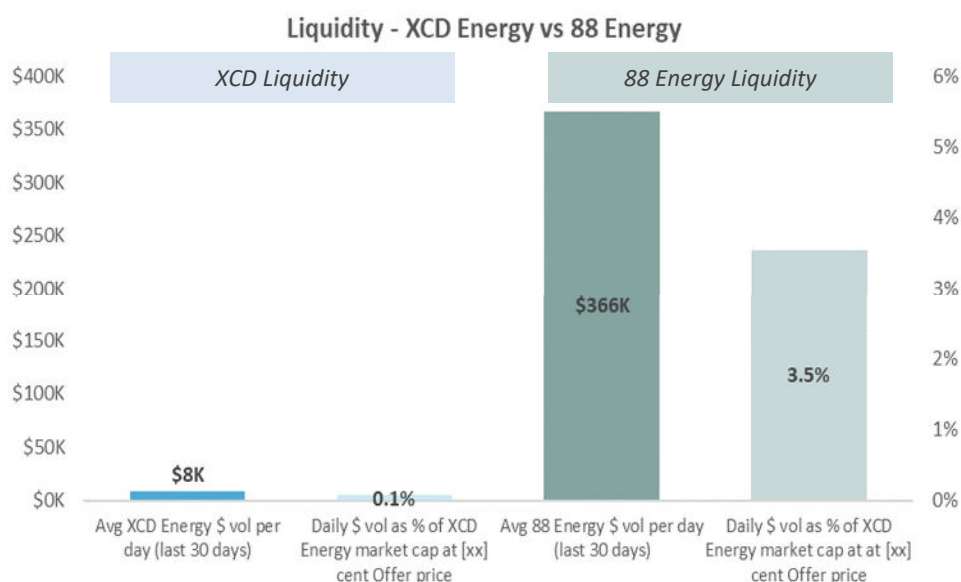


Figure 3: XCD Energy's and 88 Energy's average daily traded value in the 30 days up to and including 24 April 2020 and what proportion each average daily traded value is of XCD Energy's implied market capitalisation based on a 1.46 cent Share Offer price.

The reduced liquidity in the trading of XCD Shares and XCD Listed Options relative to the liquidity in 88 Energy Shares is an important consideration for XCD Securityholders, particularly in volatile markets and fluctuating commodity prices. In volatile markets, the increased liquidity provided by the Offers is a relevant consideration behind the Board's recommendation.

(e) **XCD Securityholders will have exposure to an expanded portfolio of assets and potential to benefit from operational synergies and proven operational capability of the Combined Group**

If 88 Energy is successful in gaining control of XCD Energy, XCD Securityholders who accept the Offers will become part of a larger Combined Group and will benefit from:

Expanded portfolio of assets

The Combined Group will have an expanded Alaskan oil exploration portfolio of three key project areas including Project Icewine, the Yukon Leases and Project Peregrine (outlined in the Combined Group project portfolio map below) all at differing stages of maturity. The Combined Group will have net acreage of approximately 520,000 net acres with XCD Energy having approximately 195,373 net acres of the total. The three project areas are all situated on the North Slope and include multiple oil play types including both conventional and unconventional. As a shareholder of the larger Combined Group, XCD Securityholders will benefit from a diversification of projects and reduced exposure to the exploration risk associated with XCD Energy's Project Peregrine.

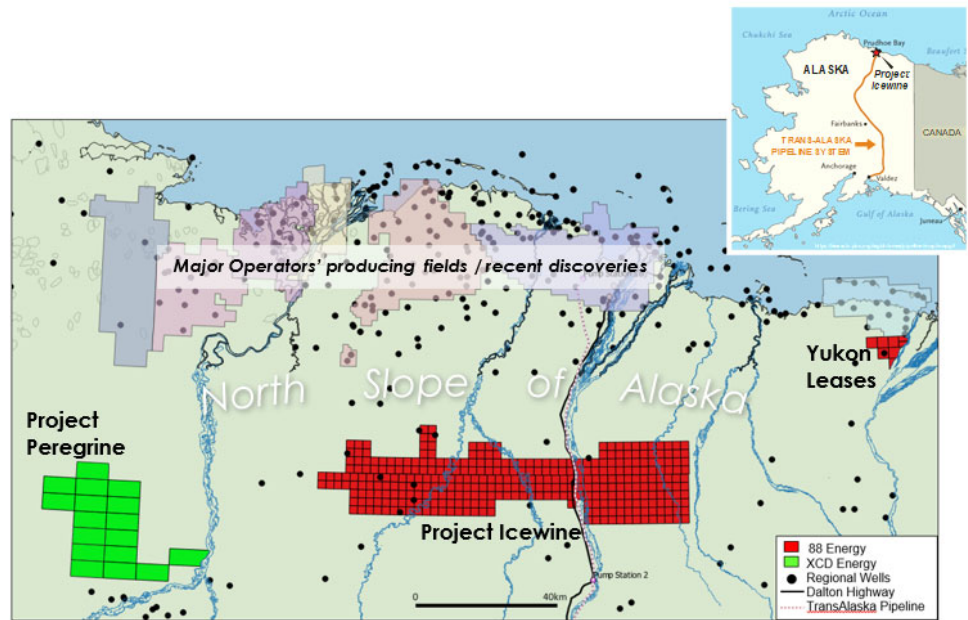


Figure 4: Location of XCD Energy's Project Peregrine relative to 88 Energy's Project Icewine and Yukon Leases in the North Slope of Alaska.

Proximity to strategic infrastructure

88 Energy's Project Icewine has been matured through acquisition of both 2D and 3D seismic surveys together with three exploration wells. Project Icewine is also in close proximity to key infrastructure including the Dalton highway and the TransAlaska pipeline, which has potential to reduce the timeline to first production and improve project economics (in the event of exploration success at Project Icewine). XCD Energy's Project Peregrine is relatively less mature but could potentially benefit from synergies that may arise should the Combined Group have a commercial development at Project Icewine.

Experienced management team with operational capabilities

88 Energy's management and operational group have a proven track record for acquiring seismic and drilling exploration wells in Alaska, on time and on budget, executing farm-in/farm-out agreements, promoting 88 Energy and raising significant capital.

(f) **Enhanced scale and access to capital**

Prior to the Announcement Date, XCD Energy had a market capitalisation of approximately \$3.5 million (as at close of business on 24 April 2020) and would likely require multiples of this to independently fund the future exploration of Project Peregrine on a "go it alone" basis.

As at 31 March 2020, XCD Energy had a cash position of \$1.2 million and absent the 88 Energy Offers, may need to raise equity capital within the next 12 months to fund corporate costs, lease holding costs as well as exploration programs. The price of any future capital raise is uncertain and may be at a discount to historical XCD Share prices prior to the Announcement Date or the value implied by the Offers.

If 88 Energy's Offers are successful, XCD Securityholders will own approximately 20% of the Combined Group which will have a market capitalisation of approximately \$54 million (based on 88 Energy's 5-Day VWAP of 0.61 cents up to and including 22 May 2020, being the last trading day prior to the date of this Target's Statement), a

significantly stronger balance sheet and increased trading liquidity across both the ASX and AIM. As such, the Combined Group will likely have greater market presence and investor awareness, an enhanced ability to attract project partners and a greater potential to attract capital to fund its growth opportunities compared to XCD Energy on a standalone basis.

88 Energy's management team has a strong track record of raising capital in order to support the advancement of 88 Energy's projects. Over the last two years, 88 Energy has successfully raised approximately \$42 million in equity capital through a combination of placements and rights issues.

(g) The Offers are supported by 18.5% of XCD's Shareholders

A group of 13 XCD Securityholders have entered into pre-bid acceptance deeds with 88 Energy as announced to the market on 27 April 2020. Under the pre-bid acceptance deeds, the group of XCD Securityholders have agreed to accept 88 Energy's Offers for a total of 129,416,142 XCD Shares and 8,000,000 XCD Listed Options, which represented 18.5% of XCD Shares and 6.8% of XCD Listed Options as at 27 April 2020.

(h) The XCD Share price and XCD Listed Option price could trade significantly below the assessed value of the Offers if the Offers are not successful and no alternative proposal emerges

Based on 88 Energy's 5-Day VWAP of 0.61 cents up to and including 22 May 2020, being the last trading day prior to the date of this Target's Statement, the Offers provide you with the potential opportunity to realise an attractive premium for all your XCD Shares and XCD Listed Options. If the Offers are not successful (and there is no other offer available for your XCD Securities), the XCD Energy Share price may decline below the value implied by the Offers.

In considering the implied value of the Offers, regard should be had to the historical XCD Share price prior to the Announcement Date. During the 12 month period preceding the Announcement Date, XCD Shares have traded as low as 0.4 cents per XCD Share on several occasions in March 2020 and April 2020 and traded at a high of 1.5 cents on 21 January 2020. XCD Securityholders should take into consideration that the XCD Share price high of 1.5 cents was prior to the recent market volatility. Since that time, global oil prices have seen significant reductions and market volatility has increased, including as a result of the COVID-19 pandemic.

The table in Section 4.2 of this Target's Statement sets out the implied value of the Offers assuming different market prices of 88 Energy on the ASX.

(i) There are other risks in not accepting the Offers

If the Offers are unsuccessful and no other offer emerges, XCD Securityholders will be exposed to the ongoing risks associated with an investment in XCD Energy. In particular:

- (i) the XCD Energy Share price may fall below the current trading price and liquidity levels. Under such a scenario, this will also impact the value of XCD Listed Options which will likely remain significantly "out of the money";
- (ii) XCD Securityholders will have full exposure to single asset exploration risk and will not benefit from exposure to 88 Energy's additional projects; and
- (iii) it is likely XCD Energy, in the absence of another transaction associated with its Alaskan assets, will have to raise additional funds, through the issue of

new equity, to fund corporate costs along with exploration costs. Given the current volatility in the oil and gas sector and XCD Energy's pre-Announcement Date share price (0.5 cent last close on 24 April 2020), any equity raise could possibly be at a discount to XCD Energy's pre-Announcement Date share price and could dilute your investment in XCD Energy.

If you do not accept the Offers and the Offers become unconditional:

- (i) liquidity in XCD Shares and XCD Listed Options may be significantly reduced or 88 Energy may be entitled to remove XCD Energy from the official list of the ASX; and
- (ii) 88 Energy may be entitled to acquire your XCD Shares and XCD Listed Options through compulsory acquisition (see Section 6.13 of this Target's Statement).

If you retain your XCD Shares and XCD Listed Options, you will continue to be exposed to the risks associated with being an XCD Securityholder.

XCD Securityholders should note that there are also risks associated with accepting the Offers. Details on the risks associated with accepting the Offers and risks relating to an investment in 88 Energy or the Combined Group are in Section 8.3 of this Target's Statement. Risks relating to the Offers are also contained in Section 8.2 of the Bidder's Statement.

In considering whether to accept the Offers, the XCD Directors encourage you to:

- (i) read and carefully consider the whole of this Target's Statement including the accompanying Independent Expert's Report and the Bidder's Statement;
- (ii) have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances; and
- (iii) obtain independent advice from your investment, financial, tax or other professional adviser on the effect of accepting the Offers.

(j) XCD Listed Options do not need to be exercised to accept the Listed Option Offer

The Listed Option Offer does not require holders of XCD Listed Options to exercise their XCD Listed Options before accepting.

(k) XCD Directors are unaware of a Superior Proposal

As at the date of this Target's Statement, XCD Directors are not aware of any Superior Proposal that may be made to XCD Securityholders by a third party.

1.3 The key considerations in favour of not accepting the Offers:

(a) Diluted exposure to the exploration and development potential of the Peregrine Project

XCD Energy has exploration and development potential, and upside value potential in its own right, through its 100% ownership of the Peregrine Project.

XCD Securityholders' ownership and potential upside value potential in respect of the Peregrine Project will be diluted if they accept 88 Energy's Offers. However, this has to be weighed against the dilution to XCD Securityholders that would occur in any event as XCD Energy has limited working capital and would need to raise further funds and/or partially divest its holding in the Peregrine Project to fund corporate costs and exploration costs as well as having full exposure to single asset exploration risk.

(b) **88 Energy borrowings**

88 Energy had approximately \$22.7 million of borrowings at 31 December 2019. These borrowings mature in December 2022 and contain financial covenants, which have currently been met. While 88 Energy expects to fund the repayment of these borrowings through cashable credits owed to it by the State of Alaska, it does expose XCD Shareholders and XCD Listed Optionholders who accept the Offers to a company with the credit and other risks associated with borrowings, given that XCD Energy currently has no borrowings.

(c) **Inability to accept a Superior Proposal if one were to emerge**

Except in the limited circumstances provided for in the Corporations Act, accepting 88 Energy's Offers will preclude XCD Securityholders from accepting a Superior Proposal from a third party, should one emerge during the Offer Period. At the date of this Target's Statement, XCD Directors are not aware of a proposal by anyone to make a Superior Proposal.

Accepting the Offers would also preclude an XCD Securityholder from selling their XCD Shares and XCD Listed Options on market.

Accepting 88 Energy's Offers will not, however, deny XCD Securityholders the benefit of any superior offer by 88 Energy which, under the Corporations Act, is required to be extended to all XCD Securityholders, including those who have already accepted 88 Energy's Offers. At the date of this Target's Statement, 88 Energy has given no indication that it intends to increase the consideration under its Offers.

(d) **Taxation consequences**

See Section 9.1 of this Target's Statement for an overview of the tax consequences of accepting the Offers.

(e) **88 Energy Share prices may fall**

XCD Securityholders are being offered 88 Energy Shares for their XCD Shares and XCD Listed Options at a fixed ratio regardless of the price each company trades at. If XCD Securityholders accept the Offers, and the Offers become unconditional, they are subject to any fall in 88 Energy's Share price.

88 Energy's 12 month share price chart and other information relevant to the value of the Offers are set out in Section 4.2 of this Target's Statement.

Set out in Section 4.2 is a table outlining the implied value of the Offers at various 88 Energy share prices to assist XCD Securityholders in their assessment of value of the Offers for changes in the 88 Energy share price.

1.4 XCD Directors' intentions in relation to the Offers

Each XCD Director intends, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Offers are reasonable, to accept the Offers in respect of

the XCD Shares and XCD Listed Options by 15 June 2020 that they control or otherwise has a Relevant Interest in.

XCD Energy's Managing Director has indicated that he will accept the Share Offer in respect for the XCD Shares issued on conversion of vested XCD Performance Rights.

The interests of each XCD Director in XCD securities are in Section 7.1 of this Target's Statement.

1.5 Further Developments

In making this recommendation, your Directors have considered the merits of 88 Energy's Offers and weighed up the factors for and against acceptance which are summarised above in this Section 1. XCD Energy Directors will continue to monitor all relevant factors detailed in this Section 1 to the Directors' recommendation during the Offer Period.

Should there be any developments or change in circumstances during the Offer Period (for example, the emergence of a Superior Proposal from another bidder) which would alter the Directors' recommendations in relation to 88 Energy's Offers, XCD Securityholders will be notified through a supplementary Target's Statement.

2. Information relating to XCD Energy

2.1 Overview of XCD Energy

XCD Energy is an ASX listed (ASX:XCD) Australian oil and gas company focussed on early stage exploration assets located on the North Slope of Alaska.

XCD Energy holds a 100% working interest in 17 leases within the National Petroleum Reserve of Alaska, covering 195,373 acres over the Nanushuk trend, which is known as Project Peregrine. Project Peregrine has a Prospective Resource of approximately 1.6 billion barrels of oil net entitlement (after royalties).⁴ See Section 2.3 for further information on Project Peregrine.

2.2 History of XCD Energy

XCD Energy, formerly Entek Energy Limited, was admitted to the official list of the ASX on 16 August 2004. Its primary business was oil and gas exploration and development, with a focus in the United States of America.

On 15 April 2019, XCD Energy completed the acquisition of a portfolio of thirteen National Petroleum Reserve of Alaska leases through the acquisition of Emerald House LLC, consisting of a 100% net working interest in 149,590 acres of exploration leases from Elixir Energy Limited (ASX:EXR). These leases form the majority of XCD Energy's current lease holding in Project Peregrine.

The final consideration for the acquisition consisted of 185 million fully paid ordinary shares at a deemed issue price of \$0.015 per share and cash consideration totalling approximately US\$1.3 million.

Subsequent to the completion of the acquisition, Entek changed its name on 8 August 2019 to XCD Energy Limited following shareholder approval at a general meeting held on 1 August 2019.

In November 2019, XCD Energy successfully completed an equity placement raising \$2.0 million at an issue price of 1.0 cent per share. The proceeds from the placement are being used to advance Project Peregrine, apply for additional tenure and, prior to the Takeover Bid, were being used to commence a farm out campaign.

XCD Energy delivered a maiden Prospective Resource for Project Peregrine on 21 January 2020 (refer to Section 2.3(d) below for further details).

2.3 Project Peregrine

(a) Background

Project Peregrine was acquired by XCD Energy on 15 April 2019 (see Section 2.2 for further information on the acquisition). At the time of acquisition, Project Peregrine included thirteen leases consisting of a 100% net working interest in 149,590 acres of exploration leases.

Since the date of acquisition of Project Peregrine (and using some of the proceeds from XCD Energy's \$2 million capital raising noted above), XCD Energy has reprocessed historical seismic data on the project, undertaken numerous desktop studies including reinterpretation of the reprocessed seismic data and secured an additional 4 leases containing 45,783 acres of ground on the North Slope and has paid annual lease rentals for 12 months to secure the existing leases through to March 2021. In January 2020, XCD Energy was able to finalise the delineation of an independently assessed Prospective Resource for Project Peregrine which has recently been

⁴ Refer to XCD Energy's ASX Announcement lodged 21 January 2020.

updated to reflect a reduction in the overriding royalty applicable to the Alaskan Leases and an improved chance of success following recent drilling in the region (refer Section 2.3 (d) below for further details).

(b) **Location and leases**

Project Peregrine is situated in the Nanushuk oil play on the Alaskan North Slope, on trend with the conventional Willow Oil Field (ConocoPhillips) to the north and adjacent to the undeveloped Umiat Oil Field. The lease package covers an area of 195,373 acres.

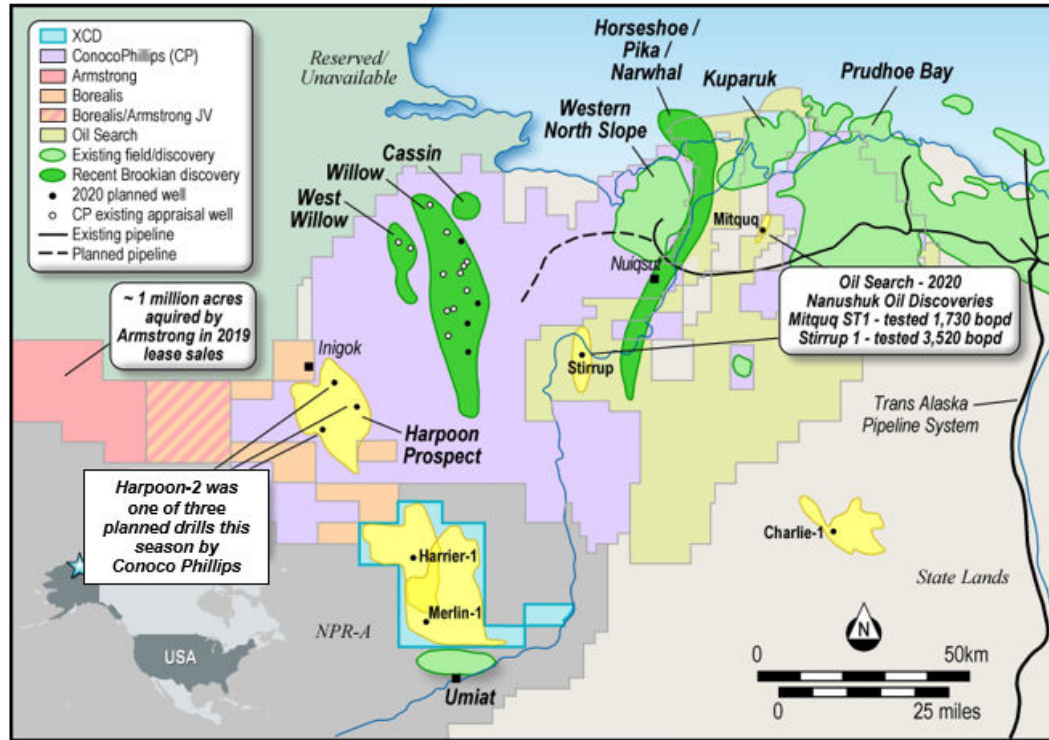


Figure 5: XCD Energy's lease package position.

(c) **Lease information**

Set out below is a summary of the leases owned by XCD Energy:

Leases	Serial Number	Acres	Tenure
Tract # 2013-L-015	AA-093747	11,497	1 March 2024
Tract # 2013-L-017	AA-093748	11,497	1 March 2024
Tract # 2013-L-019	AA-095604	11,497	1 March 2030
Tract # 2013-L-026	AA-093749	12,429	1 March 2024
Tract # 2018-L-030	AA-095392	11,478	1 March 2029
Tract # 2018-L-031	AA-095393	11,456	1 March 2029
Tract # 2018-L-032	AA-095605	11,497	1 March 2030
Tract # 2018-L-033	AA-095606	11,456	1 March 2030
Tract # 2018-L-044	AA-095394	11,430	1 March 2029
Tract # 2018-L-045	AA-095395	11,408	1 March 2029
Tract # 2018-L-046	AA-095396	11,432	1 March 2029
Tract # 2018-L-047	AA-095397	11,410	1 March 2029
Tract # 2018-L-049	AA-095398	11,409	1 March 2029
Tract # 2018-L-072	AA-095400	11,377	1 March 2029
Tract # 2018-L-074	AA-095401	11,381	1 March 2029
Tract # 2018-L-075	AA-095401	11,351	1 March 2030

Tract # 2018-L-076	AA-095402	11,386	1 March 2029
Total		195,373	

XCD Energy's leases have no expenditure commitments other than annual lease rentals of US\$3 per acre per annum and the majority of the leases are valid through to 2029.

(d) **Resources**

Since acquiring Project Peregrine in 2019, XCD Energy has completed the reprocessing of approximately 600km (365 miles) of 2D seismic data originally acquired by the United States Geological Survey in the 1970s and 1980s. 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, which involved detailed basin modelling over the area of interest, building a sequence stratigraphy framework for the region and full petrophysical interpretation of all the regionally significant wells. This study used expertise from around the world and formed the basis for the Prospective Resource estimations completed by ERC Equipoise Pte Ltd.

XCD Energy engaged ERC Equipoise Pte Ltd to prepare an Independent Prospective Resources Report resulting in the delineation of a Prospective Resource set out below:

Project Peregrine: Alaska North Slope	Unrisked Net Entitlement to XCD Prospective Oil Resources (MMstb) ^{1,2}				
	Low (1U)	Best (2U)	High (3U)	Mean	COS ⁴
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	

Notes:

1. The working interest share of the Prospective Resources is the net entitlement interest to XCD Energy 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.*

For further information in regard to the Prospective Resource estimate for Project Peregrine and details of the competent person's consent, please refer to XCD Energy's ASX announcements lodged 21 January 2020 and 20 May 2020.

XCD Energy is not aware of any new information or data that materially affects the information included in the above ASX announcements, and XCD Energy confirms that all material assumptions and technical parameters underpinning the Prospective Resource in the above ASX announcements continue to apply and have not materially changed.

2.4 Summary of financial information on XCD Energy

(a) Basis of presentation of historical financial information

The historical financial information below relates to XCD Energy on a standalone basis and accordingly does not reflect any impact of the Offers. It is a summary only and the full financial accounts for XCD Energy for the financial period described below, which include the notes to the accounts, can be found in XCD Energy's financial statements for the relevant period, copies of which are available at XCD Energy's website www.xcdenergy.com or from the ASX website at www.asx.com.au.

(b) Historical financial information on XCD Energy Group

Set out below is the audit reviewed statement of financial position of XCD Energy as at 31 December 2019 (including comparative as at 30 June 2019). XCD Energy reported cash reserves of \$2,743,128 and no debt.

On 9 April 2020, XCD Energy lodged its quarterly cash flow statement, reporting cash reserves of \$1,169,000 and no debt as at 31 March 2020.

Consolidated Statement of Financial Position		
As at 31 December 2019		
	31 December 2019	30 June 2019
	(audit reviewed)	(audited)
	\$	\$
Assets		
Current Assets		
Cash and cash equivalents	2,743,128	1,624,016
Trade and other receivables	148,199	75,090
Total Current Assets	2,891,327	1,699,106
Non-Current Assets		
Plant and equipment	14,715	16,993
Right of use asset	51,361	-
Deferred exploration expenditure	4,211,737	3,809,479
Other receivables	427,792	426,821
Total Non-Current Assets	4,705,605	4,253,293
Total Assets	7,596,932	5,952,399
Current Liabilities		
Trade and other payables	205,159	134,409
Lease liability	205,159	134,409
Provisions	24,969	7,344
Total Current Liabilities	205,859	141,753
Non-Current Liabilities		
Lease liability	33,829	-

Total Non-Current Liabilities	33,829	-
Total Liabilities	284,688	141,753
Net Assets	7,312,244	5,810,646
Equity		
Issued capital	67,190,869	65,259,579
Reserves	18,879,352	18,806,019
Accumulated losses	(78,757,977)	(78,254,952)
Total Equity	7,312,244	5,810,646

Set out below is XCD Energy's statement of profit or loss and other comprehensive income for the 6 months ended 31 December 2019 (including comparative for the 6 months ended 31 December 2018).

Consolidated Statement of Profit or Loss and Other Comprehensive Income		
For the half year ended 31 December 2019		
	Half-Year to 31 December 2019 (audit reviewed)	Restated Half-Year to 31 December 2018 (audit reviewed)
	\$	\$
Revenue	5,793	23,304
Foreign currency gain/(loss)	(15,300)	87,327
Other expenses	(490,835)	(491,040)
Loss from continuing operations before income tax	(500,342)	(380,409)
Income tax	-	-
Loss from continuing operations after income tax	(500,342)	(380,409)
Loss on deregistration of foreign subsidiary	-	(8,133,982)
Loss after income tax	(500,342)	(8,514,391)
Other comprehensive income		
Items which are subsequently recognised to profit or loss		
Foreign currency translation differences	(2,914)	(4,611)
Reclassification to P&L on deregistration of foreign subsidiary	-	8,367,368
Other comprehensive loss for the period, net of income tax	(503,256)	(151,634)
Total comprehensive loss for the period	(503,256)	(151,634)
Comprehensive loss attributable to:		
Members of the parent entity	(503,256)	(151,634)
Basic and diluted loss from continuing operations per share (cents per share)	(0.01)	(0.12)
Basic and diluted earnings/(loss) per share (cents per share)	(0.01)	(2.79)

Set out below is XCD Energy's statement of cash flows for the 6 months ended 31 December 2019 (including comparative for the 6 months ended 31 December 2018).

Consolidated Cash Flow Statement		
For the half-year ended 31 December 2019		
	Half-Year to 31 December 2019 (audit reviewed)	Half-Year to 31 December 2018 (audit reviewed)
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(408,474)	(503,252)
Interest received	6,323	23,304
Net Cash (used in) Operating Activities	(402,151)	(479,948)
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposit paid on additional lease acquisition	(74,178)	(50,000)
Payment on exploration expenditure	(271,118)	-
Net Cash (used in) Investing Activities	(345,296)	(50,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from equity issues	2,000,000	-
Payments related to equity issues	(104,700)	-
Lease liability payment	(12,828)	-
Net Cash provided by Financing Activities	1,882,472	-
Net Increase (Decrease) in Cash and cash equivalents	1,135,025	(529,948)
Net foreign exchange differences	(15,913)	80,278
Cash and cash equivalents at beginning of period	1,624,016	4,353,622
Cash and cash equivalents at end of period	2,743,128	3,903,952

2.5 XCD Energy's Share trading history

As at 24 April 2020 (the last trading day before the Announcement Date), XCD Energy's closing share price was 0.5 cents per share.

The following chart shows the closing price and volume traded of XCD Energy on the ASX over the last 12 months up to and including 24 April 2020 (the last trading day before the Announcement Date).



Figure 6: XCD Energy's 12 month share price and volume traded chart.

2.6 Directors of XCD Energy

As at the date of this Target's Statement, the XCD Directors are:

Peter Stickland
Non-Executive Chairman

Peter Stickland has over 25 years of global experience in oil and gas exploration. He was the CEO and then Managing Director of Melbana Energy Ltd (ASX:MAY) from 2014 until early 2018 during which time he led the restructuring of the company and secured the Block 9 PSC in Cuba. Mr Stickland was also CEO and then Managing Director of Tap Oil Limited (ASX:TAP) from 2008 until late 2010 during which time he oversaw the evolution of the company into a South East Asia/Australia focused E&P company. Earlier, Mr Stickland had a successful career with BHP Billiton including a range of technical and management roles. Peter is an Honorary Life Member of the Australian Petroleum Production and Exploration Association Limited (APPEA) and was a member of the APPEA Board from 2009 to 2017.

Dougal Ferguson
Managing Director

Dougal Ferguson has over 25 years of experience in senior management positions in listed upstream oil and gas for both domestic and international companies. Mr Ferguson was Managing Director of Elixir Energy Limited (ASX:EXR) since 2014 and has held senior positions with Salinas Energy Limited, ARC Energy Limited, Adelphi Energy Limited and Discovery Petroleum Limited, whilst also spending seven years in London with Premier Oil and Hess Corporation. He has gained broad commercial and technical experience working in business development and commercial roles in small to medium exploration and production companies.

Anthony Walsh
Non-Executive Director

Tony Walsh has over 35 years of experience in dealing with listed companies, ASX, ASIC and corporate transactions including 14 years with the ASX in Perth where he acted as ASX liaison with the JORC committee, four years as Chairman of an ASX listed mining explorer and as a director of a London AIM listed explorer. Mr Walsh is the Company Secretary of three ASX listed companies and a member of the NOPSEMA audit committee. He is a past member of the West Australian State Council of Governance Institute of Australia (formerly Chartered Secretaries) Australia) and of Newman College school council. Mr Walsh is currently chairman of Acts 2 Bible College and a director of the Womens and Infants Research Foundation. Mr Walsh is a member of the Australian Institute of Company Directors, is a Fellow of both the Governance Institute of Australia, the Institute of Chartered Secretaries, FinSia and the Institute of Chartered Accountants in Australia.

3. Information relating to 88 Energy

3.1 Important Notice

The following information about 88 Energy is based on public information including information in the Bidder's Statement and has not been independently verified by XCD Energy. Accordingly, XCD Energy does not make any representation or warranty, express or implied, as to the accuracy or completeness of this information. The information on 88 Energy in this Target's Statement should not be considered comprehensive.

For further information on 88 Energy, please refer to sections 2 and 3 of the Bidder's Statement, the website of 88 Energy at www.88energy.com and the ASX disclosures of 88 Energy available on 88 Energy's website and the ASX website at www.asx.com.au under the company code "88E".

3.2 Overview of 88 Energy and its projects

88 Energy is an Australian public company focused on oil and gas exploration which is dual listed on the ASX (ASX:88E) and AIM (AIM: 88E).

As at 22 May 2020, the last practicable day before the date of this Target's Statement, 88 Energy had a basic market capitalisation of \$42.7 million. 88 Energy reported cash reserves of \$28.1 million and debt of US\$16 million as at 31 March 2020. Section 2 of the Bidder's Statement contains further information on 88 Energy including historical financial information.

88 Energy has been operating on the Central North Slope of Alaska since 2015, following entry into a binding agreement with Burgundy Xploration LLC to acquire a working interest in a large acreage position on a multiple objective, liquids-rich exploration opportunity onshore Alaska, North America, referred to as Project Icewine. 88 Energy has since substantially expanded its Project Icewine acreage to approximately 486,000 gross contiguous acres.

In August 2019, 88 Energy signed a Sale and Purchase Agreement (**SPA**) with Premier Oil Plc (**Premier**) whereby Premier farmed-in for a 60 per cent interest in Area A (also referred to as the Western Play Fairway) of the conventional Project Icewine acreage in the proven Alaska North Slope basin, with 88 Energy retaining a 30% working interest in Area A. Under the terms of the SPA, Premier agreed to pay the full costs of the Charlie-1 well, up to a total of US\$23 million, which was drilled in March 2020.

As announced by 88 Energy to ASX on 7 April 2020, Premier has informed 88 Energy that it intends to withdraw from the joint venture formed in accordance with the SPA. As a result, Premier's interest in Area A will revert back to 88 Energy. 88 Energy's interest in Area A has been accounted for in the Bidder's Statement on the basis that this has occurred.

88 Energy's asset portfolio also includes the Yukon leases, comprising approximately 15,235 gross contiguous acres on the north west part of the North Slope, adjacent to the producing Point Thomson gas condensate project.

Sections 2.3 and 2.4 of the Bidder's Statement contain further information on 88 Energy's projects.

3.3 Directors of 88 Energy

The directors of 88 Energy are as follows:

- (a) Mr Michael Evans – Non-Executive Chair;
- (b) Mr David Wall – Managing Director; and

(c) Mr Stephen Staley – Non-Executive Director.

Biographical details of each of the 88 Energy Directors are summarised in Section 2.5 of the Bidder's Statement.

3.4 Historical and pro forma financial information

Section 2.7 of the Bidder's Statement sets out detailed information relating to the historical financial information of 88 Energy and Section 6.6 of the Bidder's Statement sets out pro forma financial information.

3.5 Capital structure of 88 Energy

Section 3.1 of the Bidder's Statement sets out detailed information relating to the capital structure of 88 Energy. Section 6.4 of the Bidder's Statement sets out the effect of completion of the Offers on the capital structure of 88 Energy.

3.6 Further information about 88 Energy

Section 2 of the Bidder's Statement contains further information relating to 88 Energy, including the corporate structure of 88 Energy. Section 8.3 of the Bidder's Statement sets out the risks associated with an investment in 88 Energy and XCD Energy as a combined group which you should read together with the risks set out in Section 8 of this Target's Statement.

4. Important Information for XCD Securityholders to Consider

4.1 The Offers

On 27 April 2020, 88 Energy announced its intention to make a Takeover Bid for XCD Energy.

A summary of the Offers are in Section 6 of this Target's Statement and Section 1 of the Bidder's Statement. The Offers are open for acceptance until 5:00pm (AWST) on 25 June 2020, unless the Offers are extended or withdrawn.

4.2 Value of the Offers

The consideration being offered by 88 Energy of 2.4 88 Energy Shares for each XCD Share and 0.7 of an 88 Energy Share for each XCD Listed Option has implied a value of 1.46 cents per XCD Share and 0.42 cents per XCD Listed Option based on 88 Energy's 5-Day VWAP of 0.61 cents up to and including 22 May 2020 (being the last trading day prior to the date of this Target's Statement).

The XCD Directors have obtained independent advice on the value of the Offers and the Independent Expert's Report has concluded that 88 Energy's Offers for your XCD Shares and XCD Listed Options are both fair and reasonable.

The Independent Expert has concluded that the assessed value of the consideration under the Offers is within the range of the assessed value of XCD Shares and XCD Listed Options (or above the range of the assessed value of XCD Shares if using the Independent Expert's secondary valuation methodology), as follows:

(a) XCD Shares

Based on the Independent Expert's primary valuation methodology of net asset value, the assessed value of XCD Shares is between \$0.008 and \$0.034 per XCD Share (on a control basis).

The assessed value of the consideration under the Share Offer is between \$0.014 and \$0.017 per XCD Share (on a minority basis).

However, it is noted that, based on the secondary valuation methodology of quoted market prices, the assessed value of XCD Shares is between \$0.006 and \$0.011 per XCD Share (on a control basis).

(b) XCD Listed Options

The assessed value of XCD Listed Options is between \$0.003 and \$0.006 per XCD Listed Option.

The assessed value of the consideration under the Listed Option Offer is between \$0.004 and \$0.005 per XCD Listed Option (on a minority basis).

The implied value of the Offers will fluctuate during the Offer Period with the 88 Energy Share price. Accordingly, if the 88 Energy Share price falls, the implied value of the Offers will fall. Likewise, if the 88 Energy Share price rises, the implied value of the Offers will rise.

The table below illustrates the implied value of the Offers based on various 88 Energy Share prices.

88 Energy Share Price	Ratio for Share Offer	Implied Price per XCD Share	Ratio for Listed Option Offer	Implied Price per XCD Listed Option
0.40 cents	2.40x	0.96 cents	0.70x	0.28 cents
0.5 cents ⁵	2.40x	1.20 cents	0.70x	0.35 cents
0.6 cents⁶	2.40x	1.44 cents	0.70x	0.42 cents
0.70 cents	2.40x	1.68 cents	0.70x	0.49 cents
0.80 cents	2.40x	1.92 cents	0.70x	0.56 cents
0.90 cents	2.40x	2.16 cents	0.70x	0.63 cents

To assist XCD Securityholders in their evaluation of the implied value of the Offers, the following chart shows the closing price and volume traded of 88 Energy Shares on the ASX over the last 12 months to the last date prior of the date of this Target's Statement.



Figure 7: Closing price of 88 Energy Shares on the ASX and volume traded for 12 months ended 22 May 2020.

The last recorded sale price of 88 Energy Shares traded on ASX before the Announcement Date was \$0.005 and before the date of this Target's Statement was \$0.006.

4.3 Minority ownership consequences

88 Energy's Share Offer is presently subject to 90% minimum acceptance conditions which, if fulfilled (and all the other conditions are fulfilled or freed), will entitle 88 Energy to compulsorily acquire all outstanding XCD Shares and XCD Listed Options. 88 Energy has the right to free the Share Offer from these conditions at any time.

⁵ Representing the last closing price of 88 Energy Shares on ASX on 24 April 2020, the last day of trading prior to the Announcement Date.

⁶ Representing the last closing price of 88 Energy Shares on ASX on 22 May 2020, the last day of trading prior to the date of this Target's Statement.

If 88 Energy frees the Share Offer from the 90% minimum acceptance condition, but acquires the majority of the XCD Shares, there may be a number of possible implications for XCD Securityholders, including:

- (a) 88 Energy will be in a position to cast the majority of votes at a general meeting of XCD Energy. This will enable it to control the composition of XCD Energy's Board and senior management, determine XCD Energy's dividend policy and control the strategic direction of the businesses of XCD Energy and its subsidiaries;
- (b) the XCD Share and XCD Listed Option prices may fall immediately following the end of the Offer Period and it is unlikely that these prices will contain any takeover premium;
- (c) liquidity of XCD Shares and XCD Listed Options may be lower than at present and there may be limited institutional support for XCD Shares;
- (d) 88 Energy may seek to have XCD Energy removed from the official list of ASX if the corporate and compliance costs of maintaining those listings outweigh the benefits of being listed. If this occurs, XCD Shares and XCD Listed Options will not be able to be bought or sold on ASX;
- (e) if the number of XCD Energy Shareholders is less than that required by the Listing Rules to maintain an ASX listing then the ASX may suspend and/or de-list XCD Energy. If this occurs, XCD Shares and XCD Listed Options will not be able to be bought or sold on ASX; and
- (f) if 88 Energy acquires 75% or more of the XCD Shares it will be able to pass a special resolution of XCD Energy. This will enable 88 Energy to, among other things, change XCD Energy's constitution.

If 88 Energy does proceed to compulsory acquisition, then XCD Securityholders who do not accept the Offers will still be entitled to receive the Offers consideration. However, as a result of the need to complete the compulsory acquisition procedures in the Corporations Act, there is likely to be a delay of up to six weeks in the provision of that consideration, and therefore a delay in the earliest date on which 88 Energy Shares could be traded. See Section 6.13 of this Target's Statement for further information.

4.4 Dividend issues for XCD Shareholders

XCD Energy does not currently pay dividends and has not paid a dividend to XCD Shareholders since listing on ASX. As an exploration company focused on early stage assets, the XCD Directors consider it unlikely that XCD Energy will pay dividends in the foreseeable future if XCD Energy continues as a stand-alone entity with its current business composition.

In Section 5.4(f) of the Bidder's Statement, 88 Energy advised that it has not formed an intention about retaining or varying the current dividend policy of XCD Energy if it obtains a majority interest in XCD Energy and will do so when the strategic review contemplated in section 5.3(a) of the Bidder's Statement is completed.

88 Energy advised in Section 3.6 of the Bidder's Statement that it has not previously, and does not currently, pay dividends.

4.5 Other alternatives to the Offers

At the date of this Target's Statement, no offers (other than 88 Energy's Offers) have been made to acquire your XCD Shares or XCD Listed Options.

4.6 XCD Share and XCD Listed Option price absent the Offers

While there are many factors that influence the market price of XCD Shares and XCD Listed Options, the XCD Directors anticipate that, following the close of the Offers, the market price of XCD Shares and XCD Listed Options may fall if 88 Energy's Offers fail, if 88 Energy acquires more than 50% (but less than 90%) of XCD Shares or if the Offers are otherwise unsuccessful.

4.7 Taxation consequences of a change in control in XCD Energy

The taxation consequences of accepting the Offers depends on a number of factors and will vary depending on your particular circumstances. A general outline of the Australian taxation considerations of accepting the Offers are in Section 9.1 of this Target's Statement and Section 7 of the Bidder's Statement.

You should carefully read and consider the taxation consequences of accepting the Offers. The outline provided in the Bidder's Statement and the Target's Statement is of a general nature only and you should seek your own specific professional advice as to the taxation implications applicable to your circumstances.

4.8 Treatment of Ineligible Foreign Securityholders and Unmarketable Parcel Securityholders

Any XCD Securityholder whose address (as recorded in the register of members of XCD Energy provided by XCD Energy to 88 Energy) is in a place outside Australia or its external territories or New Zealand, or any XCD Securityholder who, if they accept the Offers would be holders of an Unmarketable Parcel of 88 Energy Shares will not be issued 88 Energy Shares as consideration under the Offers.

Instead, the relevant 88 Energy Shares (that would otherwise be issued to such Ineligible Foreign Securityholders and Unmarketable Parcel Securityholders) will be issued to the nominee approved by ASIC (being Hartleys Limited (ACN 104 195 057))(Sale Nominee) who will sell the 88 Energy Shares and will distribute to each of the Ineligible Foreign Securityholders and Unmarketable Parcel Securityholders their proportion of the proceeds of sale net of expenses.

See Sections 9.15 and 9.16 of the Bidder's Statement for further details.

4.9 Holders of XCD Unlisted Options

The holders of any XCD Unlisted Options which are exercised and converted into XCD Shares issued during the Offer Period are able to accept the Share Offer in respect of such XCD Shares, provided their acceptance is received by 88 Energy during the Offer Period.

88 Energy has indicated in Section 9.7 of the Bidder's Statement that it may elect to make private treaty offers to holders of XCD Unlisted Options to acquire or cancel their options subject to the Share Offer becoming or being declared unconditional. 88 Energy has also indicated that if not all XCD Unlisted Options are exercised (or otherwise cancelled or acquired by 88 Energy pursuant to private treaty agreements or other arrangements) and 88 Energy becomes entitled to compulsorily acquire any outstanding XCD Shares, 88 Energy intends to seek to compulsorily acquire or cancel any outstanding XCD Unlisted Options pursuant to Part 6A.1 of the Corporations Act.

5. Your Choices as an XCD Securityholder

Your XCD Directors recommend that you ACCEPT the Offers (in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Offers are reasonable)

In considering whether to accept the Offers, your Board encourages you to read the whole of this Target's Statement and the Independent Expert's Report that accompanies this Target's Statement and to seek professional advice if you are unsure as to whether acceptance of the Offers is in your best interests, taking into account your individual circumstances.

The Bidder's Statement contains important information which XCD Securityholders are urged to read carefully. XCD Securityholders should note that XCD Energy has not undertaken investigations to verify the accuracy or completeness of the information contained in the Bidder's Statement and neither XCD Energy nor its Directors or Advisers makes any representation as to the accuracy or completeness of information contained in the Bidder's Statement. To the fullest extent permitted by law, each of those parties disclaims liability to any person who acts in reliance on that information.

XCD Securityholders who would like further information on XCD Energy or its projects before making a decision about the Offers are encouraged to exercise their right under the Corporations Act to obtain from ASIC copies of all documents lodged by XCD Energy with ASIC or ASX (including XCD Energy's 2019 Annual Report, December 2019 Half-Year Financial Report and XCD Energy's March 2020 Quarterly Reports). Alternatively, they can visit XCD Energy's website at www.xcdenergy.com.

As an XCD Securityholder, during the Offer Period you have the following choices:

ACCEPT the Offers applicable to you

If you wish to accept the Offers applicable to you, you should follow the instructions in the Bidder's Statement and the Acceptance Form.

Subject to the conditions of the Offers being satisfied or waived (including the 90% minimum acceptance conditions), you will receive 2.4 new 88 Energy Shares for every XCD Share you own and 0.7 new 88 Energy Shares for every XCD Listed Option you own. Note that particular arrangements apply to XCD Securityholders who are Ineligible Foreign Securityholders or who will receive an Unmarketable Parcel of 88 Energy Shares as consideration under the Offers, as explained in Section 4.8 of this Target's Statement and Sections 9.15 and 9.16 of the Bidder's Statement.

You should be aware that once you accept the Offers your acceptance cannot be withdrawn except in the limited circumstances listed in the Corporations Act. You should consider the timing of any acceptance of the Offers in light of the fact that a Superior Proposal by another party may emerge which you would be precluded from accepting if you had already accepted 88 Energy's Offers. At the date of this Target's Statement, XCD Directors are not aware of a proposal by anyone to make a Superior Proposal.

You should be aware that the market price of 88 Energy Shares may fall after you have accepted the Offers.

You should also consider the tax consequences of accepting the Offers (see Section 9.1 of this Target's Statement and Section 7 of the Bidder's Statement).

OR

REJECT the Offers

If you wish to retain your XCD Shares and/or XCD Listed Options, you should take no action in relation to the Offers.

XCD Securityholders should note that if 88 Energy acquires 90% of the XCD Shares under the Share Offer, it will be entitled to compulsorily acquire the XCD Shares that it does not already own. Likewise, if 88 Energy acquires 90% of the XCD Listed Options under the Listed Option Offer, it will be entitled to compulsorily acquire the XCD Listed Options that it does not already own. See Section 6.13 of this Target's Statement for further information on the compulsory acquisition process.

If 88 Energy acquires more than 50% but less than 90% of the XCD Shares then, assuming all other Conditions under the Share Offer are fulfilled or freed, 88 Energy will hold a majority shareholding in XCD Energy. In these circumstances, XCD Shareholders who do not accept the Share Offer will become minority shareholders in XCD. The potential implications of being a minority Shareholder in XCD Energy are discussed in Section 4.3 of this Target's Statement.

OR

SELL your XCD Shares or XCD Listed Options on ASX

You can sell your XCD Shares and XCD Listed Options on ASX. The price you will receive will depend on the prevailing market price of XCD Shares and XCD Listed Options at the time of sale. You should be aware that the market price of XCD Shares may rise or fall during the Offer Period. You should also note that if you sell your XCD Shares and XCD Listed Options on ASX:

- (a) you are likely to pay brokerage on the sale (and GST on that brokerage);
- (b) you would not be eligible for CGT rollover relief (see Section 9.1 of this Target's Statement);
- (c) you will not benefit from any price increase which may be offered by 88 Energy and equally you will not be exposed to any price decrease of 88 Energy Shares which may result;
- (d) you will receive payment earlier than if you accept 88 Energy's Offers (typically, 2 business days after the sale), as opposed to receiving 88 Energy Shares in accordance with 88 Energy's Offers which will be at a later time; and
- (e) a sale on ASX provides certainty, whereas a sale to 88 Energy by accepting the Offers will be subject to the conditions of the Offers being fulfilled.

In relation to (c) above, you should note that 88 Energy has given no indication that it intends to increase the price for its Offers.

OR

In the case of XCD Listed Options, EXERCISE your XCD Listed Options and accept the Share Offer in respect of the resultant XCD Shares or sell those XCD Shares on market through ASX

In the case of XCD Listed Options, holders of XCD Listed Options may exercise their XCD Listed Options and accept the Share Offer in respect of the resultant XCD Shares or sell those XCD Shares on market through ASX.

All XCD Listed Options currently on issue are out of the money. Accordingly, this choice may not be suitable to holders of XCD Listed Options.

6. Key Features of 88 Energy's Offers

6.1 Consideration payment to XCD Securityholders who accept the Offers

Under the Share Offer, the consideration being Offered by 88 Energy is 2.4 new 88 Energy Shares for every one XCD Share.

Under the Listed Option Offer, the consideration being Offered by 88 Energy is 0.7 new 88 Energy Shares for every one XCD Listed Option.

6.2 Conditions to the Offers

88 Energy's Offers are subject to a number of conditions. The conditions to the Share Offer and the condition to the Listed Option Offer are set out below.

Details of any act, omission, event or fact that would result in any of the conditions to the Offers not being fulfilled by the end of the Offer Period are in Section 6.3 of this Target's Statement.

The conditions to the Share Offer are:

(a) Minimum acceptance Share Offer

At or before the end of the Offer Period, 88 Energy has a Relevant Interest in the number of XCD Shares that represents at least 90% of the aggregate of all the XCD Shares on issue (on a fully diluted basis).

(b) Minimum acceptance Listed Option Offer

At or before the end of the Offer Period, 88 Energy has a Relevant Interest in the number of XCD Listed Options that represents at least 90% of the aggregate of all the XCD Listed Options on issue.

(c) No regulatory action

Between the Announcement Date and the end of the Offer Period (each inclusive):

- (i) there is not in effect any preliminary or final decision, order or ruling issued by any Government Authority;
- (ii) no application is made to any Government Authority (other than by 88 Energy or any associate of the 88 Energy); and
- (iii) no action or investigation is announced, commenced, or threatened by any Government Authority,

in consequence of or in connection with the Offer (other than an application to, or a decision or order of, or action or investigation by, ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act) which restrains, prohibit or impedes, or threatens to restrain, prohibit or impede, or materially impact on, the making of the Offer and the completion of any transaction completed by the Bidder's Statement (including, without limitation, full, lawful, timely and effectual implementation of 88 Energy's intentions expressed in the Bidder's Statement) or which requires the divestiture by 88 Energy of any XCD Shares or XCD Listed Options or any material assets of the XCD Energy Group.

(d) No prescribed occurrences

Between the Announcement Date and the date 3 business days after the end of the Offer Period (each inclusive), none of the XCD Prescribed Occurrences happen.

(e) No exercise under certain agreements or arrangements

If between the Announcement Date and the end of the Offer Period (each inclusive) any person:

- (i) is entitled to exercise, or will as a result of the Takeover Bid, the acquisition of XCD Shares or XCD Listed Options by 88 Energy or the removal of XCD Energy from the official list of ASX if the Takeover Bid is successful, becomes entitled to exercise; or
- (ii) purports to exercise, states an intention to exercise (whether or not that intention is stated to be final decision), or asserts the ability to exercise,

any right under any provision of any agreement or other arrangement to which any member of the XCD Energy Group is a party or to which any member of the XCD Energy Group or any of its assets or businesses may be subject, which results in, or could result in:

- (iii) any moneys borrowed by any member of the XCD Energy Group being or becoming repayable or being declared repayable immediately or earlier than the repayment date provided for in such agreement or arrangement;
- (iv) any such agreement or arrangement that imposes or may impose obligations or liabilities on any party of more than \$100,000 per annum or more than \$200,000 in total or that is otherwise material to the business of the XCD Energy Group being terminated or modified or not renewed or the performance of any obligations under any such agreement or arrangement being accelerated; or
- (v) any assets of any member of the XCD Energy Group, including any interest of any member of the XCD Energy Group in any body corporate, trust, joint venture or other entity, being sold, transferred or offered for sale or transfer, including under any pre-emptive rights or similar provisions, or any contractual arrangements relating to any such asset or interest, being terminated or modified,

that person gives the relevant member of the XCD Energy Group and 88 Energy in writing a binding, irrevocable and unconditional release or waiver of that right.

(f) Conduct of business

Between the Announcement Date and the end of the Offer Period (each inclusive), no member of the XCD Energy Group:

- (i) announces, declares, determines to pay, makes or pays any dividend or other distribution (whether in cash or in specie);
- (ii) incurs capital expenditure exceeding \$50,000 or, except in the ordinary course of trading, transfers or otherwise disposes of or creates any encumbrance in respect of, assets having a value exceeding \$50,000;
- (iii) acquires or disposes of any shares or other securities in any body corporate or any units in any trust, or substantially all of the assets of any business except where the aggregate consideration paid or received by all members

of the XCD Energy Group for all such acquisitions or disposals does not exceed \$50,000 or enters into, or terminates any participation in, any partnership, joint venture or similar commitment;

- (iv) borrows an amount which when combined with all other amounts borrowed since the Announcement Date exceeds \$50,000 or enters into any swap, option, futures contract, forward commitment or other derivative transaction;
- (v) enters into, waives any material rights under, varies or terminates any contract, commitment or arrangement which may require annual expenditure by the relevant member of XCD Energy Group in excess of \$50,000 or is otherwise of material importance to the business of the XCD Energy Group;
- (vi) enters into any unusual or abnormal contract or commitment which is outside the ordinary course of business and which could reasonably be expected to:
 - (A) change the nature of the business conducted by the XCD Energy Group; or
 - (B) have a material adverse impact on the business conducted by the XCD Energy Group;
- (vii) enters into, amends, or agrees to enter into or amend any contract, commitment or other arrangement with a related party (as defined in section 228 of the Corporations Act), or an associate of that related party, of XCD Energy;
- (viii) other than in the ordinary course of business and consistent with past practice, XCD Energy or any of its subsidiaries disposes of, acquires or agrees to dispose of or acquire, or creates or agrees to create an equity interest in respect of any assets (including, without limitation, under any off-take, joint venture or similar deed), properties or businesses, or incurs, agrees to incur or enters into a commitment or a series of commitments involving capital expenditure by the XCD Energy Group, whether in one or more transactions, where the amounts or value involved in such transaction or transactions, commitments or series of commitments exceeds \$50,000 in aggregate;
- (ix) pays or agrees to pay the costs and expenses of all advisers to XCD Energy Group in connection with the takeover bid where such costs and expenses exceed \$250,000;
- (x) accelerates the rights of any of its directors or employees to compensation or benefits of any kind (including, without limitation, the vesting of any performance rights);
- (xi) increases the remuneration of, makes any bonus payment, retention payment or termination payment to, or otherwise changes the terms and conditions of employment of:
 - (A) any directors of XCD Energy; or
 - (B) any employee of any member of the XCD Energy Group whose total employment cost exceeds \$25,000;

- (xii) issues any securities convertible into XCD Shares;
- (xiii) changes its constitution (including adopting a new constitution or modifying or repealing its constitution or a provision of it) or passes any resolution of shareholders or any class of shareholders;
- (xiv) commences, compromises or settles any litigation or similar proceedings for an amount exceeding \$50,000;
- (xv) becomes Insolvent; or
- (xvi) agrees, conditionally or otherwise, to do any of the things referred to in paragraphs (i) to (xv) above, or announces or represents to any person that any of those things will be done,

unless the doing of that thing was specifically disclosed in any ASX announcement made by XCD Energy before the Announcement Date.

(g) No inaccurate public information

88 Energy does not become aware, during the period between the Announcement Date and the end of the Offer Period (each inclusive) that:

- (i) any announcement made by XCD Energy to ASX;
- (ii) any document lodged by or on behalf of XCD Energy with ASIC; or
- (iii) any other public statement made by or on behalf of XCD Energy,

is inaccurate or misleading in any material way, including by omission.

(h) No XCD Energy Material Adverse Change

Between the Announcement Date and the end of the Offer Period (each inclusive), no act, omission, event, change, matter or circumstance occurs, or is discovered or becomes public (either individually or aggregated with other acts, omissions, events, changes, matters or circumstances) which:

- (i) has, will or is reasonably likely to have a material adverse effect on the assets, liabilities, financial position, performance, profitability or prospects of the XCD Energy Group taken as a whole (whether individually or when aggregated with one or more other events, matters or things); or
- (ii) any event, matter or thing, as described in sub-paragraph (i), which occurred before the Announcement Date but was not apparent from public filings of XCD Energy before then, becomes public,

where the financial impact of such event, change, condition, matter or thing on the XCD Energy Group exceeds \$1,000,000, but does not include:

- (iii) anything which has arisen solely as a result of actions taken by any member of the XCD Energy Group in the ordinary course of its business; or
- (iv) those events or circumstances relating to changes in the global oil industry or security markets generally or a change in the market price of oil which impacts on XCD Energy and its competitors in a similar manner.

The condition to the Option Offer is the Share Offer having become or declared free of all Conditions or subject only to none of the prescribed occurrences listed in section 652C(1) or (2) of the Corporations Act occurring (being the Condition in Section 6.2(d)) and the statutory condition in section 625(3) of the Corporations Act.

6.3 Status of Conditions, non-reliance on certain conditions and circumstances which may affect conditions

None of the conditions to the Offers have been satisfied at the date of this Target's Statement.

Under the Bid Implementation Agreement 88 Energy has agreed that it will not rely on a breach of the following conditions and 88 Energy has agreed to waive each of these conditions to the extent set out below (these conditions are set out in full in Section 6.2 of this Target's Statement):

- (a) the condition set out in Section 6.2(e):
 - (i) to the extent that any person purports to exercise, states an intention to exercise (whether or not that intention is stated to be a final decision), or asserts the ability to exercise (as contemplated in paragraph (ii) of the condition in 6.2(f)) any right stated in that condition, where such person is not entitled to exercise that right;
 - (ii) to the extent that obligations or liabilities under any such agreement total less than \$200,000 (as contemplated in paragraph (iv) of the condition in 6.2(f)); and
 - (iii) in relation to any mandates in connection with the Offers which have been disclosed in writing to 88 Energy prior to signing the Bid Implementation Agreement.
- (b) the condition set out in Section 6.2(f)(v) to the extent that a variation of a contract, commitment or arrangement is not material;
- (c) the condition set out in Section 6.2(f)(vii) to the extent that the contract, commitment or other arrangement is not material;
- (d) the condition set out in Section 6.2(f)(ix) in relation to any fees from mandates in connection with the Takeover Bid which have been disclosed in writing to 88 Energy prior to signing the Bid Implementation Agreement; and
- (e) the conditions set out in Section 6.2(f)(x) and Section 6.2(f)(xi) in relation to the vesting of XCD Performance Rights and payment of the short term incentive as contemplated in Section 9.8 of the Bidder's Statement.

In accordance with the Bid Implementation Agreement, 88E has also agreed that an XCD Material Adverse Change will not involve:

- (a) any rationalisation or relinquishment of leases or permits which are less than 15% of the net acreage and are no longer considered prospective;
- (b) those events or circumstances required to be done or procured by XCD Energy pursuant to the Bid Implementation Agreement; and
- (c) an event, circumstance, matter or information that is known to 88 Energy or its Representatives on or prior to the date of the Bid Implementation Agreement or

otherwise disclosed in public filings by XCD Energy with ASIC or provided to ASX on or prior to the date of the Bid Implementation Agreement.

Unless otherwise disclosed in this Target's Statement, XCD Energy is not aware of any act, omission, event or fact that would result in any of the conditions to the Offers not being fulfilled by the end of the Offer Period.

6.4 Notice of Status of Conditions

Sections 10.11 and 11.11 of the Bidder's Statement state that 88 Energy is required to give a Notice of Status of Conditions for each of the Share Offer and the Listed Option Offer by 18 June 2020, subject to extension in accordance with section 630(2) of the Corporations Act if the Offer Period is extended. The Notice of Status of Conditions is required by section 630(1) of the Corporations Act.

88 Energy is required to set out in each Notice of Status of Conditions:

- (a) whether the relevant Offer is free of any or all of the conditions;
- (b) whether, so far as 88 Energy knows, any of the conditions have been fulfilled on the date the notice is given; and
- (c) 88 Energy's voting power in XCD Energy.

If the Offer Period is extended by a period before the time by which the Notice of Status of Conditions is to be given, the date for giving the Notice of Status of Conditions will be taken to be postponed for the same period. In the event of such an extension, 88 Energy is required, as soon as practicable after the extension, to give a notice to ASX and XCD Energy that states the new date for 88 Energy to give the Notice of Status of Conditions.

If a condition is fulfilled (so that the relevant Offer becomes free of that Condition) during the Offer Period but before the date on which the Notice of Status of Conditions is required to be given, 88 Energy must, as soon as practicable, give ASX and XCD Energy a notice that states that the particular condition has been fulfilled.

6.5 Offer Period

Unless 88 Energy's Offers are extended or withdrawn, they are open for acceptance from 25 May 2020 until 5:00pm (AWST) on 25 June 2020. The circumstances in which 88 Energy may extend or withdraw its Offers are in Sections 6.6 and 6.7 respectively of this Target's Statement.

6.6 Extension of the Offer Period

88 Energy may extend the Offer Period up to a maximum Offer Period of 12 months. XCD Securityholders will be sent written notice of any extension, and the extension will be announced to the ASX.

In addition, if, within the last 7 days of the Offer Period, either of the following events occurs:

- (a) 88 Energy improves the consideration offered under the Offers; or
- (b) 88 Energy's voting power in XCD Energy increases to more than 50%.

then the Offer Period will automatically be extended so that it ends 14 days after the relevant event occurs in accordance with section 624(2) of the Corporations Act.

6.7 Withdrawal of Offers

88 Energy may withdraw the Offers with the consent in writing of ASIC, which may be given subject to the conditions (if any) specified in such consent. If ASIC gives such consent, 88 Energy will give notice of the withdrawal to ASX and to XCD Energy and will comply with any other conditions imposed by ASIC.

As set out in Sections 10.13 and 11.13 of the Bidder's Statement, if, at the time the Offers are withdrawn:

- (a) the Offers have been freed of all of the Conditions, then all contracts arising from acceptance of the Offers before it was withdrawn will remain enforceable; or
- (b) the Offers remain subject to one or more of the Conditions, then all contracts arising from acceptance of the Offers will become void (whether or not the events referred to in the relevant Conditions have occurred).

6.8 Effect of acceptance

The effect of acceptance of the Offers is set out in Sections 10.5 and 11.5 of the Bidder's Statement. XCD Securityholders should read these provisions in full to understand the effect that acceptance will have on their ability to exercise the Rights attaching to their XCD Shares and XCD Listed Options and the representations and warranties which they give by accepting the Offers.

6.9 Your ability to withdraw your acceptance

You only have limited rights to withdraw your acceptance of an Offer. You may only withdraw your acceptance of an Offer if 88 Energy varies the Offer in a way that postpones, for more than one month, the time when 88 Energy needs to meet its obligations under the Offers. This will occur if 88 Energy extends the Offer Period by more than one month and the Offers are still subject to conditions.

6.10 When you will receive your consideration if you accept the Offer

In the usual case, you will be issued your consideration on or before the earlier of:

- (a) one month after the date of your acceptance or, if the relevant Offer is subject to a defeating Condition when you accept the Offer, within one month after the relevant Offer becomes unconditional; and
- (b) 21 days after the end of the Offer Period.

Full details of payment of your consideration under the Offers are set out in Sections 10.6 and 11.6 the Bidder's Statement. Note that special arrangements apply to payment of your consideration under the Offers if you are an Ineligible Foreign Securityholder or an Unmarketable Parcel Securityholder. See Sections 10.7 and 11.7 the Bidder's Statement for details of these arrangements.

6.11 Effect of an improvement in consideration on XCD Securityholders who have already accepted the Offer

If 88 Energy improves the consideration offered under the Offers, all XCD Securityholders, whether or not they have accepted the Offers before that improvement in consideration, will be entitled to the benefit of that improved consideration.

6.12 Lapse of Offers

The Offers will lapse if the relevant Conditions are not freed or fulfilled by the end of the Offer Period; in which case, all contracts resulting from acceptance of the Offers and all acceptances that have not resulted in binding contracts are void. In that situation, you will be free to deal with your XCD Shares and XCD Listed Options as you see fit.

6.13 Compulsory acquisition

88 Energy has indicated in Section 5.3 of its Bidder's Statement that if it satisfies the required thresholds it intends to compulsorily acquire any outstanding XCD Shares and XCD Listed Options. 88 Energy will be entitled to compulsorily acquire any XCD Shares and XCD Listed Options in respect of which it has not received an acceptance of its Offers on the same terms as the Offers if, during or at the end of the Offer Period 88 Energy and its associates have a Relevant Interest in at least 90% (by number) of the XCD Shares and at least 90% (by number) of the XCD Listed Options.

As set out in Section 9.19 of the Bidder's Statement, 88 Energy has obtained relief from ASIC to enable it to exercise XCD Listed Options acquired under the Listed Option Offer and thereby increase its Relevant Interest in XCD Shares on the conditions set out in Section 9.19 of the Bidder's Statement. If 88 Energy was to exercise XCD Listed Options, the consequent increase in its holding of XCD Shares may enable 88 Energy to reach the thresholds required in order to compulsorily acquire outstanding XCD Shares.

88 Energy has indicated in Section 5.5 of the Bidder's Statement that 88 Energy has no present intention to exercise XCD Listed Options acquired under the Listed Option Offer. However, 88 Energy may subsequently choose to do so and it has indicated that such decision would be dependent on the circumstances set out in Section 5.5 of the Bidder's Statement.

If these thresholds are met, 88 Energy will have one month after the end of the Offer Period within which to give compulsory acquisition notices to XCD Securityholders who have not accepted the Offers. XCD Securityholders have statutory rights to challenge the compulsory acquisition, but a successful challenge will require the relevant XCD Securityholder to establish to the satisfaction of a Court that the terms of the Offers do not represent "fair value" for their XCD Shares or XCD Listed Options. If compulsory acquisition occurs, XCD Securityholders who have their XCD Energy Shares or XCD Listed Options compulsorily acquired are likely to be issued their consideration approximately five to six weeks after the compulsory acquisition notices are dispatched to them.

It is also possible that 88 Energy will, at some time after the end of the Offer Period, become the beneficial holder of 90% of the XCD Shares. 88 Energy would then have rights to compulsorily acquire XCD Shares not owned by it within six months of becoming the holder of 90%. 88 Energy has indicated in Section 5.3 of its Bidder's Statement that if 88 Energy subsequently acquires these rights to compulsorily acquire XCD Shares, 88 Energy intends to exercise those rights. 88 Energy's price for compulsory acquisition under this procedure would have to be considered in a report of an independent expert.

7. Information Relating to XCD Directors

7.1 XCD Directors' interests in XCD securities and 88 Energy securities

At the date of this Target's Statement, the XCD Directors have Relevant Interests in the following XCD securities:

XCD Director	XCD Shares	XCD Listed Options	XCD Unlisted Options	XCD Performance Rights
Peter Stickland	4,800,000	1,000,000	3,000,000	0
Dougal Ferguson	16,625,658	2,500,000	0	20,000,000*
Anthony Walsh	2,500,000	750,000	3,000,000	0

* 10,000,000 XCD Performance Rights held by Dougal Ferguson are intended to vest and convert into 10,000,000 XCD Shares upon 88 Energy acquiring a Relevant Interest in more than 50% of the XCD Energy Shares and the Offers becoming or being declared unconditional.

The XCD Energy Board intends to determine that, upon 88 Energy acquiring a Relevant Interest in more than 50% of the XCD Shares and the Offers becoming or being declared unconditional:

- (a) 10,000,000 of the XCD Performance Rights held by XCD Energy's Managing Director Dougal Ferguson will vest and convert, in accordance with their terms and conditions, and all XCD Shares resulting from the exercise will be issued and registered before the end of the Offer Period; and
- (b) 50% of the maximum short-term incentive payment for the period ending 30 June 2020 will be paid to Mr Ferguson (being an amount of \$63,500) in early July 2020.

Mr Ferguson has confirmed that he intends to accept the XCD Shares issued on conversion of the XCD Performance Rights into the Offers.

The balance of the XCD Performance Rights will lapse upon:

- (a) 88 Energy announcing that it has achieved acceptances in respect of 50.1% or more of the XCD Shares; and
- (b) the Takeover Bid becoming unconditional.

Accordingly, 88 Energy will not make an offer in respect of the XCD Performance Rights.

No XCD Director has a Relevant Interest in any securities of 88 Energy at the date of this Target's Statement.

7.2 XCD Directors' intentions with respect to their own XCD Shares and XCD Listed Options

Each of the XCD Directors intend to accept the Offers for all of the XCD Shares and XCD Listed Options which they own or control (including any XCD Shares which may be issued on conversion of XCD Performance Rights) by 15 June 2020, subject to there being no Superior Proposal and subject to the Independent Expert continuing to conclude that the Offers are reasonable.

7.3 No benefits to XCD Directors

No benefit (other than a benefit permitted under sections 200E or 200F of the Corporations Act) is proposed to be given to an XCD Director (or any other person) in connection with the Director's retirement as a director or executive of XCD Energy.

7.4 No other agreements or arrangements with XCD Directors

Other than as disclosed elsewhere in this Target's Statement, there is no other agreement or arrangement made between an XCD Director (or any other person) in connection with or conditional upon the outcome of the Offers.

7.5 No interests of XCD Directors in 88 Energy's contracts

Other than as disclosed elsewhere in this Target's Statement, no XCD Director has any interest in any contract entered into by 88 Energy.

8. Risk Factors

8.1 Overview

If the Offers become unconditional, XCD Securityholders who accept the Offers will become 88 Energy Shareholders. In those circumstances, XCD Securityholders will:

- (a) continue to be exposed to the risks associated to an investment in XCD Energy, as a result of their indirect interest in XCD Energy through 88 Energy;
- (b) be exposed to the risks which are specific to an investment in 88 Energy; and
- (c) be exposed to additional risks relating to the Offers and the Combined Group.

The risks outlined in this Section 8 are not necessarily exhaustive. XCD Securityholders should read this Target's Statement and the Bidder's Statement carefully and consult their professional advisers before deciding whether to accept the Offers. By accepting the Offers, XCD Securityholders will be investing in 88 Energy.

The business activities of 88 Energy are subject to various risks that may impact on the future performance of 88 Energy and the Combined Group. Some of these risks can be mitigated by the use of safeguards and appropriate systems and controls, but some are outside the control of 88 Energy and the Combined Group and cannot be mitigated.

88 Energy's Bidder's Statement contains a section on risk factors (at section 8) with extensive commentary on risks associated with the Offers as well as an investment in 88 Energy and the Combined Group. The Board of XCD Energy has considered the risks outlined in 88 Energy's Bidder's Statement and recommends that you read that section of the Bidder's Statement in full, in the context of your individual risk tolerances. Many of the risks described in 88 Energy's Bidder's Statement are risks that also apply, in some capacity, to an investment in XCD Energy as a standalone entity and in many cases are not materially different. Nevertheless, XCD Energy has summarised below a selection of key risk factors for inclusion in this Target's Statement. You should still read section 8 of 88 Energy's Bidder's Statement in full.

8.2 Risks Associated with Accepting the Offers

(a) Conditions of the Offer

As described in Section 6.2 of this Target's Statement, the Offers are subject to a number of conditions.

If the conditions of the Offers are not satisfied by the applicable date (or waived by 88 Energy), the Offers will not be free of conditions and therefore will not proceed and you will remain a securityholder of XCD on a standalone basis.

(b) Limited withdrawal rights

You may only withdraw your acceptance if 88 Energy extends the Offer Period for more than one month and the Offers remains subject to one or more of the Conditions at that time.

Otherwise, you will be unable to withdraw your acceptance even if the value of 88 Energy varies significantly from the date of your acceptance of the Offer.

(c) If a Superior Proposal is announced you will not be able to withdraw your acceptance of the Offers

If a Superior Proposal is announced, XCD Securityholders who accept the Offers will not be able to withdraw their acceptance of the Offers and accept a Superior Proposal.

At the date of this Target's Statement, the XCD Energy Directors are not aware of any Superior Proposal.

(d) **Variable Value of 88 Energy Shares as consideration**

XCD Securityholders are being offered specific quantities of 88 Energy Shares as consideration under the Offers. As a result, the value of the consideration will fluctuate depending upon the market value of 88 Energy Shares. Accordingly, the market value of the 88 Energy Shares at the time you receive them may vary significantly from their market value on the date of your acceptance of the Offers. Refer to Section 4.2 of this Target's Statement for a table, and associated commentary, of implied values of the Offers for various 88 Energy share prices.

In addition, the Sale Nominee (and/or a nominee of the Sale Nominee) will be issued 88 Energy Shares attributable to certain Ineligible Foreign Securityholders and Unmarketable Parcel Securityholders and will sell them on market. It is possible that such sales may exert downward pressure on the Combined Group's share price during the applicable period. In any event, there is no guarantee regarding the prices that will be realised by the Sale Nominee or the future market price of the 88 Energy Shares. Future market prices may be either above or below current or historical market prices.

(e) **CGT Rollover Relief**

A condition of the Offers is that the level of acceptance must result in 88 Energy obtaining a Relevant Interest in at least 90% of all XCD Energy Shares and at least 90% of XCD Energy Listed Options.

As noted in Section 4.3 of this Target's Statement, if 88 Energy does not acquire a Relevant Interest of at least 90% of the XCD Energy Shares, it may choose to waive the 90% condition of its Share Offer. If 88 Energy acquires more than 50.1% but less than 90% of the XCD Energy Shares, 88 Energy will hold a controlling interest in XCD Energy.

On this basis, 88 Energy may not acquire the number of XCD Energy Shares sufficient to bring its total interest in XCD Energy to at least 80% of XCD Energy Shares (on a fully diluted basis). In this case, scrip-for-scrip CGT rollover relief will not be available to holders of XCD Energy Shares.

CGT rollover relief will not be available to Listed Optionholder who accept the Listed Option Offer (see Section 7.2(c) of the Bidder's Statement for further details).

(f) **Due Diligence**

In preparing the information relating to 88 Energy contained in this Target's statement, XCD Energy has relied on publicly available information relating to 88 Energy and information provided by 88 Energy. Risks may exist in relation to 88 Energy (which will affect the Combined Group) of which XCD Energy is unaware.

8.3 Risks Relating to an Investment in 88 Energy or the Combined Group

(a) **Additional Requirements for Capital**

The holding costs of 88 Energy to continue holding its assets in good standing are significantly higher than those of XCD driven largely by higher lease costs per acre, as a result of the age of the 88 Energy leases, and the interest costs associated with the

Brevet debt facility (see Section 8.3(c) below). The Combined Group may be required to raise additional funds in the future to fund exploration costs, to effectively implement its business and operations plans in the future, to take advantage of opportunities for acquisitions, joint ventures or other business opportunities, and to meet any unanticipated liabilities or expenses which the Combined Group may incur. The Combined Group will have an enlarged acreage position with associated annual lease costs which, in the case of 88 Energy's acreage, is significantly higher than XCD Energy's annual lease holding costs. XCD Energy notes 88 Energy's annual report lodged with ASX on 26 February 2020 identified a current liability of \$5.0 million relating to historic assets of 88 Energy which are no longer owned by the 88 Energy and which it believes payment is unlikely to be demanded. In addition, 88 Energy and XCD Energy will incur costs associated with this transaction – 88 Energy has estimated that its cash transaction costs will be \$350,000 in its Bidder's Statement, and XCD Energy estimates total costs of \$460,000 for its financial and legal advisors, preparation of the IER, printing, mailing and other costs.

The Combined Group may seek to raise further funds through equity or debt financing, joint ventures, production sharing arrangements or other means. Failure to obtain sufficient financing for the Combined Group's activities and future projects may result in delay and indefinite postponement of exploration, development or production on the Combined Group's properties or even loss of a property interest. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to the Combined Group and might involve substantial dilution to 88 Energy Shareholders.

Loan agreements and other financing rearrangements such as debt facilities, convertible note issues and finance leases (and any related guarantee and security) that may be entered into by the Combined Group may contain covenants, undertakings and other provisions which, if breached, may entitle lenders to accelerate repayment of loans and there is no assurance that the Combined Group would be able to repay such loans in the event of an acceleration. Enforcement of any security granted by the Combined Group or default under a finance lease could also result in the loss of assets.

Whilst access to capital (and associated terms) is a risk relating to an investment in 88 Energy or the Combined Group, it is also a risk relating to an investment in XCD Energy as a standalone entity.

(b) Hydrocarbon resource estimates

Hydrocarbon resource estimates are expressions of judgment based on knowledge, experience, interpretation and industry practice. Estimates that were valid when made may change significantly when new information becomes available.

In addition, resource estimates are necessarily imprecise and depend to some extent on interpretations, which may prove inaccurate. Should the Combined Group encounter oil and/or gas deposits or formations different from those predicted by past drilling, sampling and similar examinations, then resource and/or reserve estimates may have to be adjusted and production plans may have to be altered in a way which could adversely affect the Combined Group's operations. Where possible, the Combined Group will seek to have any such estimates verified or produced by an independent party with sufficient expertise in their chosen field.

(c) Liquidity risk

Liquidity risk is the risk that 88 Energy will not be able to meet its financial obligations as they fall due. In its Bidder's Statement, 88 Energy says its approach to managing

liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. 88 Energy says it manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows.

On 23 March 2018, 88 Energy's 100% controlled subsidiary Accumulate Energy Alaska Inc entered into a US\$16.5 million debt refinancing agreement with Brevet Capital Advisors (Brevet) to replace an existing Bank of America debt facility. The key terms of the debt refinancing agreement are noted in 88 Energy's announcement to ASX dated 26 March 2018 and 88 Energy has inserted comments relating to the facility and associated risk in section 8.3(c) of the Bidder's Statement, which is repeated here. The Brevet debt facility matures on 30 December 2022. As at 31 December 2019, US\$15.88 million (A\$22.67 million) was drawn down under the facility. 88 Energy expects to fund repayment of the Brevet debt facility through cashable credits owed to it by the State of Alaska. As at 31 December 2019, the total expected cashable credits owed by the State to 88 Energy at year end was US\$19.1 million (A\$27.3 million), which is far in excess of the amount outstanding under the facility of US\$15.88 million (A\$22.67 million). 88 Energy expects that the State will pay sufficient cashable credits in order for the Brevet debt facility to be repaid on or before maturity noting that the State of Alaska has approximately US\$60bn in assets in the Alaska Permanent Fund and that the State of Alaska has a long history of significant Tax Credit repayments with a legislated statutory minimum repayment requirement (Alaska Statue - AS 43.55.028). Further, 88 Energy notes the legislating of HB331 establishing the Alaska Tax Credit Certificate Bond Corporation to finance purchasing of tax credit certificates by the issuance of bond, and also notes that the decisions pending the legal challenge post the verbal arguments heard in the Supreme Court is anticipated in 2020. Current State of Alaska forecasts also indicate a significant purchase of tax credits in 2021. 88 Energy also notes that there is an often active secondary market for the purchase of tax credit certificates, which is a viable alternative to accelerating the repayment of the tax credits and reduction of debt. 88 Energy considers the risk of the State not paying the cashable credits prior to the expiry of the debt low, however should this occur 88 Energy anticipates being able to refinance the debt prior to maturity a likely outcome given the high yield and strong financial rating of the State of Alaska. 88 Energy considers refinancing risk as relatively low given its good relationship with Brevet and its success in refinancing the debt previously.

The credits provide a natural hedge against the risk of 88 Energy holding US dollar denominated debt. If the credits are not paid prior to the maturity date of the debt, or cannot be refinanced, then 88 Energy may need to raise capital via equity issuance to pay the debt. There is a risk to 88 Energy that if there is an adverse exchange rate at the time, this may be more dilutive than if additional currency hedges were in place.

Refer to the notes to the accounts in 88 Energy's most recent Annual Report (released to ASX on 26 February 2020) for further information on Alaska's Clear and Equitable Share tax rebate program and how it is treated in 88 Energy's accounts.

(d) **Commodity price volatility and exchange rate risks**

It is anticipated that any future revenues of the Combined Group, other than sales of assets, will be derived from the sale of oil and/or natural gas. The demand for, and price of, oil and natural gas is dependent on a variety of factors beyond the control of the Combined Group, including supply levels of the product, the level of consumer product demand, weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels, and global economic and political developments.

In recent months, there has been considerable volatility in the oil and gas sector with significant fluctuations in the crude oil price. Over the past 10 years, WTI oil has traded at over US\$110/bbl and under US\$20/bbl. There are several reasons for this (including government regulations relating to royalties, allowable production and importing and exporting of oil and gas and petroleum products) but fundamental market forces beyond 88 Energy's control or the control of other market participants have impacted and will continue to impact oil and natural gas prices in the future.

A prolonged period of low oil and natural gas prices will adversely affect the Combined Group's business, the results of operations, financial condition, liquidity and its ability to finance planned capital expenditure, including possible reductions in capital expenditures which could offset replacement reserves. Rapid material and/or sustained reductions in oil, gas or product prices can have an impact on the validity of the assumptions on which strategic decisions are based and can have an impact on the economic viability of projects that are planned or in development.

Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Combined Group will be taken into account in Australian currency, exposing the Combined Group to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

(e) **Impairment risk**

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

During the 2019 financial year, the 88 Energy Group recorded a significant impairment expense (\$29,473,257) for an impairment of the Icewine-2 and Winx-1 exploration wells which were plugged and abandoned in 2019.

In section 8.3(e) of its Bidder's Statement, 88 Energy has outlined the process it goes through, and accounting principles imposed, in determining any possible asset impairment for its assets.

In relation to the Charlie-1 well that was plugged and abandoned in April 2020, 88 Energy has commented that the results from the well indicated a significant condensate discovery in the Torok Formation as well as oil pay in the Seabee formation, both of which are the subject of further testing and review by 88 Energy. As at the date of its Bidder's Statement, 88 Energy anticipates the cost of the drilling of the Charlie-1 well to be funded by the Premier Oil carry of US\$ 23 million and therefore does not expect an impairment associated with this well.

(f) **Trading Price of 88 Energy Shares**

The Combined Group's credit quality, operating results, economic and financial prospects and other factors may affect the trading price of the 88 Energy Shares. In addition, the price of 88 Energy Shares is subject to varied and often unpredictable influences on the market for equities, including, but not limited to general economic conditions including the Australian dollar and United States dollar performance on world markets, commodity price fluctuations, fluctuations in the global market for oil and gas, inflation rates, foreign exchange rates and interest rates, variations in the general market for listed stocks in general or United States and Australian oil and gas stocks in particular, changes to government policy, legislation or regulation, industrial disputes, general operational and business risks and hedging or arbitrage trading activity that may develop involving the 88 Energy Shares. No assurances can be made

that 88 Energy's market performance will not be adversely affected by any such market fluctuations or factors.

(g) **Other Risk Factors**

There are other risks associated with becoming an investor in 88 Energy which are outlined in section 8.3 of the Bidder's Statement, which you should read in full. Many of these risks also relate to an investment in XCD Energy as a standalone entity and are general risks applying to all companies operating as oil and gas explorers in Alaska (and elsewhere). Those risks include risks related to:

- (i) Business integration;
- (ii) Key management risk;
- (iii) Regulation of oil and gas exploration and production in Alaska and elsewhere;
- (iv) Hydraulic fracturing;
- (v) Commercialising discoveries;
- (vi) Drilling risks;
- (vii) Insurance;
- (viii) Substitution of oil and gas by alternative energy sources;
- (ix) Environmental and safety risks;
- (x) Climate change;
- (xi) Taxation risk;
- (xii) General market and economic conditions; and
- (xiii) Litigation risk.

9. Additional Information

9.1 Taxation implications

The Australian tax implications of 88 Energy's Offers for XCD Securityholders will depend on a number of factors, including:

- (a) whether the XCD Securityholder holds their XCD Shares and/or XCD Listed Options on capital or revenue account for taxation purposes;
- (b) the nature of the XCD Securityholder (i.e. whether the XCD securityholder is an individual, company, trust, or complying superannuation fund); and
- (c) the tax residency status of the XCD Securityholder (i.e. Australian resident or not).

The Australian tax consequences of the Offers for XCD Securityholders are summarised in Section 7 of the Bidder's Statement, to which reference should be made for further information. The summary is necessarily general in nature and each XCD Securityholder should seek independent advice relevant to their specific circumstances.

XCD Shareholders who are residents of Australia for tax purposes and who hold their XCD Shares on capital account for taxation purposes may be eligible for scrip for scrip rollover relief from any capital gain that they may make by accepting the Share Offer provided that 88 Energy achieves a total interest in 80% of all XCD Shares (on a fully diluted basis). See Section 7.2 of the Bidder's Statement for full details.

9.2 Effect of takeover on XCD Energy's material contracts

To the best of XCD Energy's knowledge, none of the material contracts to which XCD Energy is a party contain change of control provisions which may be triggered as a result of 88 Energy's takeover bid for XCD Energy, or as a result of acceptances of the Offers, and which may have a material adverse effect on the assets and liabilities, financial position and performance, profits and losses and prospects of XCD Energy.

9.3 Reimbursement Fee

Under the Bid Implementation Agreement, XCD Energy has agreed with 88 Energy that in certain circumstances XCD Energy will pay a cash reimbursement fee of \$150,000 to 88 Energy after the End Date and provided that 88 Energy has not become the registered legal and beneficial holder of at least 50.1% of XCD Shares.

These circumstances are as follows:

- (a) during the Exclusivity Period, any one or more members of the XCD Energy Board withdraws, adversely revises or adversely qualifies his or her support of the Takeover Bid or his or her recommendation that XCD Securityholders accept the Offers or fails to recommend that XCD Securityholders accept the Takeover Bid, or, having made such a recommendation, withdraws, adversely revises or adversely qualifies that recommendation for any reason;
- (b) during the Exclusivity Period, any one or more members of the XCD Energy Board recommends that XCD Securityholders accept or vote in favour of, or otherwise supports or endorses (including support by way of accepting or voting, or by way of stating an intention to accept or vote, in respect of any XCD Energy securities held or controlled by them or held on their behalf), a Competing Proposal of any kind that is

announced (whether or not such proposal is stated to be subject to any pre-conditions) during the Exclusivity Period;

- (c) a Competing Proposal of any kind is announced during the Exclusivity Period (whether or not such proposal is stated to be subject to any pre-conditions) and, within 12 months of the date of such announcement, a third party completes a Competing Proposal; or
- (d) 88 Energy terminates the Bid Implementation Agreement for one of the following reasons:
 - (i) XCD Energy materially breaches the Bid Implementation Agreement and that breach is not remedied within 5 business days of XCD receiving notice from 88 Energy of the details of the breach and 88 Energy's intention to terminate;
 - (ii) XCD Energy materially breaches a representation or warranty contained in the Bid Implementation Agreement and that breach is not remedied within 5 business days of XCD receiving notice from 88 Energy of the details of the breach and 88 Energy's intention to terminate; or
 - (iii) an XCD Director does not recommend the Takeover Bid be accepted by XCD Securityholders or having recommended the Takeover Bid, withdraws or adversely modifies his recommendation of the Takeover Bid.

88 Energy has also agreed that it will pay XCD Energy a cash reimbursement fee of \$150,000 if XCD Energy terminates that Bid Implementation Agreement on the basis that 88 Energy has materially breached the Bid Implementation Agreement or materially breached a representation or warranty made by 88 Energy under the Bid Implementation and 88 Energy has failed to remedy such breach within 5 business days of 88 Energy receiving notice from XCD Energy of the details of the breach and XCD Energy's intention to terminate.

9.4 Material litigation

At the date of this Target's Statement, XCD Energy is not involved in any material legal disputes and is not a party to any material litigation.

9.5 Issued capital

At the date of this Target's Statement, XCD Energy's issued capital consisted of:

- (a) 699,728,934 XCD Shares;
- (b) 117,450,000 XCD Listed Options each exercisable at \$0.02 on or before 30 November 2022.
- (c) 16,000,000 XCD Unlisted Options comprising:
 - (i) 3,000,000 Options each exercisable at \$0.048 on or before 28 November 2020;
 - (ii) 3,000,000 Options each exercisable at \$0.072 on or before 28 November 2020;
 - (iii) 3,000,000 Options each exercisable at \$0.096 on or before 28 November 2020;

- (iv) 1,000,000 Options each exercisable at \$0.048 on or before 4 December 2021;
 - (v) 1,000,000 Options each exercisable at \$0.072 on or before 4 December 2021;
 - (vi) 1,000,000 Options each exercisable at \$0.096 on or before 4 December 2021;
 - (vii) 4,000,000 Options each exercisable at \$0.048 on or before 4 December 2021, vesting immediately.
- (d) 20,000,000 XCD Performance Rights comprising:
- (i) 5,000,000 Performance Rights (Class A) vesting on the 20-day VWAP for XCD Shares achieving \$0.025 and the holder remaining in employment with the Company until 30 June 2020, last vesting date of 30 June 2021, and expiry date of 5 August 2024;
 - (ii) 5,000,000 Performance Rights (Class B) vesting on the 20-day VWAP for XCD Shares achieving \$0.05 and the holder remaining in employment with the Company until 30 June 2021, last vesting date of 30 June 2024, and expiry on 5 August 2024;
 - (iii) 5,000,000 Performance Rights (Class C) vesting on the completion of a farm-out transaction for one or more of the Alaskan Leases to fund the drilling of one or more wells for a carry of at least 1.5:1 and any other terms and conditions acceptable to the XCD Board on or before 30 June 2022, and expiry on 5 August 2024; and
 - (iv) 5,000,000 Performance Rights (Class D) vesting on the Class C XCD Performance Rights vesting and the completion of the drilling of an exploration well on an Alaskan Lease to a Nanushuk objective on or before 30 June 2023, and expiry on 5 August 2024.

Some of the XCD Shares on issue are subject to voluntary escrow as follows:

- (a) 2,500,000 XCD Shares are escrowed until 30 June 2020;
- (b) 5,000,000 XCD Shares are escrowed until 31 December 2020..

These XCD Shares were issued in relation to services provided by Stocks Digital (pursuant to Shareholder approval on 29 November 2019). The Board has resolved to release these XCD Shares from voluntary escrow upon 88 Energy acquiring a Relevant Interest in more than 50% of the XCD Shares and the Offers becoming or being declared unconditional.

In addition, 17,450,000 XCD Listed Options on issue are subject to voluntary escrow until 12 August 2020. The terms of the escrow of these XCD Listed Options allow the holders of these XCD Listed Options to accept the Listed Option Offer in respect of these Options where at least 50% of the holders of the XCD Listed Options (excluding the escrowed XCD Listed Options) have

accepted the Listed Option Offer, provided that the escrow will continue to apply if the Listed Option Offer does not become unconditional.

9.6 Substantial Shareholders

At the date of this Target's Statement, the only substantial shareholder of XCD Energy is 88 Energy. Refer to section 4.6 of the Bidder's Statement for further details of 88 Energy's interest in XCD Shares.

9.7 Consents

This Target's Statement contains statements made by, or statements said to be based on statements made by XCD Directors. Each of the XCD Directors has consented to the inclusion of each statement he has made in the form and context in which the statements appear and has not withdrawn that consent before lodgment of this Target's Statement with ASIC.

The following parties have given and have not withdrawn, before lodgment of this Target's Statement with ASIC, their written consent to be named in this Target's Statement as follows:

- (a) GTP Legal as legal advisers to XCD Energy;
- (b) Taylor Collison as financial advisers to XCD Energy;
- (c) Mr Greg Channon in the form and context in which he is named;
- (d) BDO as the Independent Expert; and
- (e) RISC as the Independent Technical Specialist.

BDO has also given and has not withdrawn, before lodgment of this Target's Statement with ASIC, its written consent to the inclusion of the Independent Expert's Report in Schedule 2 of this Target's Statement in the form and context in which it is included and to the inclusion of all references to the Independent Expert's Report in this Target's Statement in the form and context in which such references appear.

RISC has also given and has not withdrawn, before the date of lodgment of this Target's Statement with ASIC, its written consent to the inclusion of the Independent Technical Specialist's Report in the Independent Expert's Report in Schedule 2 of this Target's Statement in the form and context in which it is included.

Each of the parties referred to in this Section:

- (a) has not authorised or caused the issue of this Target's Statement;
- (b) does not make, or purport to make, any statement in this Target's Statement, or any statement on which a statement in this Target's Statement is based, other than those referred to in this Section;
- (c) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for any statements in, or omissions from, any part of this Target's Statement other than a reference to its name and a statement and/or report (if any) included in this Target's Statement with the consent of that party as specified in this Section.

As permitted by ASIC Class Order 13/521, this Target's Statement includes statements which are made in, or based on statements made in, documents lodged with ASIC or on the company announcement platform of ASX. Under that Class Order, the parties making those statements

are not required to consent to, and have not consented to, inclusion of those statements in this Target's Statement. If you would like to receive a copy of any of these documents free of charge during the Offer Period, please contact XCD Energy on +61 8 9381 4975 and a copy will be provided within 2 Business days of the request.

As permitted by ASIC Corporations (Consent to Statements) Instrument 2016/72, this Target's Statement may include or be accompanied by certain statements fairly representing a statement by an official person or from a public official document or a published book, journal or comparable publication, as well as ASX share price trading information sourced from ASX and IRESS without its consent.

9.8 Publicly available information about XCD Energy

XCD Energy is a company listed on the ASX (ASX:XCD) and is subject to the periodic and continuous disclosure requirements of the Corporations Act and ASX Listing Rules. Copies of announcements made by XCD Energy to ASX are available from ASX. For information concerning the financial position and affairs of XCD Energy, you should refer to the full range of information that has been disclosed by XCD Energy pursuant to these requirements. This information may be relevant to your assessment of the Offers.

Further information regarding XCD Energy can be obtained via the ASX website at www.asx.com.au, or the XCD Energy website at www.xcdenergy.com.

9.9 No other material information

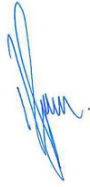
There is no other information that XCD Securityholders or their professional advisers would reasonably require to make an informed assessment on whether to accept the Offers, being information which:

- (a) is reasonable for XCD Securityholders and their professional advisers to expect to find in this Target's Statement; and
- (b) is known to any of XCD Directors.

In deciding what information should be included in this Target's Statement, XCD Directors have had regard to, amongst other things, the matters which XCD Securityholders (or their professional advisers) may reasonably be expected to know, including information contained in documents previously sent to XCD Securityholders and information available from public sources such as ASX, ASIC or XCD Energy's website at www.xcdenergy.com.

10. Authorisation

Dated: 25 May 2020



Dougal Ferguson being a director of XCD Energy authorised to sign this Target's Statement pursuant to a resolution passed at a meeting of the Directors of XCD Energy held on 25 May 2020.

11. Glossary and Interpretation

11.1 Glossary

In this Target's Statement, unless a contrary intention appears, the following expressions have the following meanings:

\$ means Australian dollars.

88 Energy means 88 Energy Limited ACN 072 964 179 and its Subsidiaries.

88 Energy Share means a fully paid ordinary share in 88 Energy.

Acceptance Form means the Transfer and Acceptance Form enclosed with the Bidder's Statement.

Advisers means, in relation to an entity, its legal, financial and other expert advisers.

AIM means the sub-market AIM operated by the London Stock Exchange.

Alaskan Leases means the leases held by XCD at the date of granting the XCD Performance Rights.

Announcement Date means 27 April 2020 being the date the Takeover Bid was announced by 88 Energy.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 trading as the Australian Securities Exchange.

ASX Listing Rules means the listing rules of the ASX.

Bid Implementation Agreement means the bid implementation agreement entered into by XCD Energy and 88 Energy dated 6 May 2020, a copy of which was released to the ASX on 7 May 2020 and the material terms of which are summarised in Section 9.1 of the Bidder's Statement.

Bidder's Statement means the replacement bidder's statement of 88 Energy under Part 6.5 Division 2 of the Corporations Act (as modified by ASIC Class Order [CO 13/528]) dated 21 May 2020 which was served on XCD Energy on that date.

Board means the board of XCD Directors.

Competing Proposal means any expression of interest, proposal, offer or transaction notified to the XCD Energy Board which, if completed substantially in accordance with its terms, would mean a person (other than 88 Energy or its Related Bodies Corporate) would:

- (a) directly or indirectly, acquire an interest or Relevant Interest in or become the holder of:
 - (i) 20% or more of all XCD Shares; or
 - (ii) all or a substantial part of the business conducted by the XCD Energy Group.
- (b) acquire control of XCD Energy, within the meaning of section 50AA of the Corporations Act; or

- (c) otherwise directly or indirectly acquire or merge with XCD Energy or acquire an economic interest in the whole or a substantial part of XCD Energy or their businesses (including by takeover offer, scheme of arrangement, capital reduction, sale of assets, strategic alliance, joint venture, partnership or reverse takeover bid).

Conditions means the conditions set out in Section 6.2 (as they relate to the relevant Offer if the context requires).

Corporations Act or **Act** means the *Corporations Act 2001* (Cth).

End Date means the earliest of the date of termination of the Bid Implementation Agreement in accordance with its terms and the end of the Offer Period, (or such later date as 88 Energy and XCD Energy agree).

Exclusivity Period means the period from and including the date of the Bid Implementation Agreement (being 6 May 2020) until the earlier of:

- (a) the date of termination of the Bid Implementation Agreement;
- (b) the end of the Offer Period; and
- (c) 6 November 2020.

FY means financial year.

Government Authority means any government or any governmental, semi-governmental, statutory or judicial entity or authority, or any minister, department, office or delegate of any government, whether in Australia or elsewhere, including any self-regulatory organisation established under statute and any stock exchange and for the avoidance of doubt includes ASIC, ASX and the Takeovers Panel.

Independent Expert or **BDO** means BDO Corporate Finance (WA) Pty Ltd Australian Financial Services License No. 316 158.

Independent Expert's Report means the report produced by the Independent Expert contained in Schedule 2 of this Target's Statement.

Independent Technical Specialist or **RISC** means RISC Advisory Pty Ltd ACN 150 789 030.

Independent Technical Specialist's Report means the report produced by the Independent Technical Specialist included as part of the Independent Expert's Report contained in Schedule 2 of this Target's Statement.

Ineligible Foreign Securityholder means any XCD Securityholder whose address, as entered in the register of members of XCD Energy, is in a jurisdiction other than Australia (and its external territories), and New Zealand, unless 88 Energy otherwise determines after being satisfied that it is not unlawful, not unduly onerous and not unduly impracticable to make the Offers to an XCD Securityholder in the relevant jurisdiction and to issue 88 Energy Shares to such an XCD Securityholder on acceptance of the Offers, and that it is not unlawful for such an XCD Securityholder to accept the Offers in such circumstances in the relevant jurisdiction.

A person is **Insolvent** if:

- (a) it is (or states that it is) an insolvent under administration or insolvent (each as defined in the Corporations Act); or

- (b) it or its Subsidiaries is in liquidation, in provisional liquidation, under administration or wound up or has had a controller receiver or receiver and manager appointed to any part of its property;
- (c) it or its Subsidiaries enters into a deed of company arrangement;
- (d) it is subject to any arrangement, assignment, moratorium or composition, protected from creditors under any statute or dissolved;
- (e) an application or order has been made (and in the case of an application, it is not stayed, withdrawn or dismissed within 30 days), resolution passed, proposal put forward, or any other action taken, in each case in connection with that person, which is preparatory to or could result in any of (a), (b) or (c) above; or
- (f) it is taken (under section 459F(1) of the Corporations Act) to have failed to comply with a statutory demand; or
- (g) it is the subject of an event described in section 459C(2)(b) or section 585 of the Corporations Act;
- (h) it is otherwise unable to pay its debts when they fall due; or
- (i) something having a substantially similar effect to (a) to (g) happens in connection with that person under the law of any jurisdiction.

IRESS means IRESS Limited ACN 060 313 359.

Listed Option Offer means the offer made by 88 Energy to acquire 100% of XCD Listed Options on the terms and conditions set out in Section 11 of the Bidder's Statement and for consideration of 0.7 new 88 Energy Shares for every 1 XCD Listed Option.

Offers means collectively the Share Offer and the Listed Option Offer.

Offer Period means the period during which the Offers is open for acceptance.

Officers means, in relation to an entity, its directors, officers, and employees.

Option means an option to acquire an XCD Share.

Peregrine Project means XCD Energy's 17 National Petroleum Reserve of Alaska leases covering approximately 195,373 acres over the Nanushuk trend on the North Slope of Alaska.

Project Icewine means 88 Energy's project described as such in Section 3.2.

Prospective Resource has the meaning defined in Chapter 19 of the ASX Listing Rules.

Related Bodies Corporate has the meaning given in the Corporations Act.

Relevant Interest has the meaning given to that term in the Corporations Act.

Representatives of a party includes:

- (a) a Related Bodies Corporate of the party; and
- (b) each of the Officers and Advisers of the party or any of its Related Bodies Corporate.

Rights means all accretions, benefits and rights attaching to or arising from XCD Shares or XCD Listed Options directly or indirectly at or after the date of the Announcement Date (including,

but not limited to, all dividends and all rights to receive dividends and to receive or subscribe for shares, stock units, notes or options declared, paid, or issued by XCD Energy).

Sale Nominee has the meaning given in Section 4.8.

Security Interest has the same meaning as in section 51A of the Corporations Act.

Share Offer means the offer made by 88 Energy to acquire 100% of XCD Shares on the terms and conditions set out in Section 10 of the Bidder's Statement and for consideration of 2.4 new 88 Energy Shares for every 1 XCD Share.

Subsidiaries has the meaning given in the Corporations Act.

Superior Proposal means a Competing Proposal which is, in the determination of the XCD Energy Board acting in good faith and in order to satisfy what the XCD Energy Board consider to be their fiduciary and statutory duties:

- (a) reasonably capable of being completed taking into account all aspects of the Competing Proposal; and
- (b) more favourable to XCD Shareholders than the Takeover Bid, taking into account all terms and conditions of the Competing Proposal.

Takeover Bid means 88 Energy's takeover bid for XCD Energy in accordance with the terms of the Offers.

Target's Statement means this target's statement (including the Independent Expert's Report accompanying this target's statement).

Unmarketable Parcel means a number of 88 Energy Shares which is less than a "marketable parcel" under the market rules of the ASX (currently a parcel of less than \$500), calculated based on the highest closing price for 88 Energy Shares published during the Offer Period (or, in relation to 88 Energy Shares issued in respect of accepting XCD Securityholders during the Offer Period, based on the highest closing price for 88 Energy Shares published between the start of the Offer Period until the last trading day before 88 Energy would have been required to issue those 88 Energy Shares).

Unmarketable Parcel Securityholder means an XCD Securityholder in respect of whom the total number of 88 Energy Shares to which that XCD Securityholder would be entitled to receive as consideration under the Offers is an Unmarketable Parcel.

US\$ means US dollars.

VWAP means volume weighted average price.

XCD Director means a director of XCD Energy.

XCD Energy means XCD Energy Limited ACN 108 403 425

XCD Energy Group means XCD Energy and its Subsidiaries.

XCD Energy Board means the board of XCD Energy.

XCD Listed Option means an option to acquire an XCD Energy Share which is quoted on the ASX.

XCD Performance Right means a performance right which converts on a one for one basis to an XCD Energy Share upon achievement of certain performance milestones prior to the relevant expiry date.

XCD Prescribed Occurrence means any of the events listed in Schedule 1.

XCD Securityholder means a holder of XCD Shares or XCD Listed Options.

XCD Share means a fully paid ordinary share in XCD Energy.

XCD Shareholder means a holder of XCD Shares.

XCD Unlisted Option means an option to acquire an XCD Share which is not quoted on the ASX.

Yukon Leases means 88 Energy's project described as such in Section 3.2.

11.2 Interpretation

In this Target's Statement:

- (a) headings are for convenience only and do not affect interpretation;
- (b) the word "includes" in any form is not a word of limitation;

and unless the context indicates a contrary intention:

- (c) the expression "person" includes an individual, the estate of an individual, a corporation, an authority, an association or a joint venture (whether incorporated or unincorporated), a partnership and a trust;
- (d) a reference to any party includes that party's executors, administrators, successors and permitted assigns, including any person taking by way of novation and, in the case of a trustee, includes any substituted or additional trustee;
- (e) a reference to any document (including this Target's Statement) is to that document as varied, novated, ratified or replaced from time to time;
- (f) a reference to any statute or to any statutory provision includes any statutory modification or re-enactment of it or any statutory provision substituted for it, and all ordinances, by-laws, regulations, rules and statutory instruments (however described) issued under it;
- (g) words importing the singular include the plural (and vice versa), and words indicating a gender include every other gender;
- (h) references to parties, clauses, schedules, exhibits or annexures are references to parties, clauses, schedules, exhibits and annexures to or of this Target's Statement, and a reference to this Target's Statement includes any schedule, exhibit or annexure to this Target's Statement;
- (i) where a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning;
- (j) a reference to "\$" or "dollar" is to Australian currency;
- (k) if any day appointed or specified by this Target's Statement for the payment of any money or doing of anything falls on a day which is not a Business Day, the day so appointed or specified shall be deemed to be the next Business Day.

Schedule 1 - XCD Prescribed Occurrences

- (a) XCD Energy converts all or any of its shares into a larger or smaller number of shares under section 254H of the Corporations Act.
- (b) XCD Energy or a Subsidiary resolves to reduce its share capital in any way.
- (c) XCD Energy or a Subsidiary enters into a buy-back agreement or resolves to approve the terms of a buy-back agreement under subsection 257C(1) or 257D(1) of the Corporations Act.
- (d) XCD Energy or a Subsidiary issues shares, or grants an option over its shares, or agrees to make such an issue or grant such an option.
- (e) XCD Energy or a Subsidiary issues, or agrees to issue, convertible notes.
- (f) XCD Energy or a Subsidiary disposes, or agrees to dispose, of the whole or a substantial part of its business or property.
- (g) XCD Energy or a Subsidiary grants, or agrees to grant, a Security Interest in the whole, or a substantial part, of its business or property.
- (h) XCD Energy or a Subsidiary resolves to be wound up.
- (i) A liquidator or provisional liquidator of XCD Energy or a Subsidiary is appointed.
- (j) A court makes an order for the winding up of XCD Energy or a Subsidiary.
- (k) An administrator of XCD Energy or a Subsidiary is appointed under sections 436A, 436B or 436C of the Corporations Act.
- (l) XCD Energy or a Subsidiary executes a deed of company arrangement.
- (m) A receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of XCD Energy or a Subsidiary.

Schedule 2 – Independent Expert's Report

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XCD ENERGY LIMITED
Independent Expert's Report

22 May 2020



Financial Services Guide

22 May 2020

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by XCD Energy Limited ('XCD') to provide an independent expert's report on the off-market takeover offer, from 88 Energy Limited ('88E') to acquire all of the fully paid ordinary shares and listed options on issue in XCD ('Offer'). You are being provided with a copy of our report because you are a shareholder of XCD and this Financial Services Guide ('FSG') is included in the event you are also classified under the Corporations Act 2001 ('the Act') as a retail client.

Our report and this FSG accompanies the Target Statement required to be provided to you by XCD to assist you in deciding on whether or not to accept the Offer.

Financial Services Guide

This FSG is designed to help retail clients make a decision as to their use of our general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

This FSG includes information about:

- ◆ Who we are and how we can be contacted;
- ◆ The services we are authorised to provide under our Australian Financial Services Licence No. 316158;
- ◆ Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- ◆ Any relevant associations or relationships we have; and
- ◆ Our internal and external complaints handling procedures and how you may access them.

Information about us

We are a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide professional services primarily in the areas of audit, tax, consulting, mergers and acquisition, and financial advisory services.

We and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business and the directors of BDO Corporate Finance (WA) Pty Ltd may receive a share in the profits of related entities that provide these services.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients, and deal in securities for wholesale clients. The authorisation relevant to this report is general financial product advice.

When we provide this financial service we are engaged to provide an expert report in connection with the financial product of another person. Our reports explain who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. If you have any questions, or don't fully understand our report you should seek professional financial advice.

Fees, commissions and other benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$30,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report and our directors do not hold any shares in XCD.

BDO Audit (WA) Pty Ltd is the appointed independent auditor of 88E. We do not consider that this impacts on our independence in accordance with the requirements of Regulatory Guide 112 'Independence of Experts'. We have completed a conflict search of BDO affiliated organisations within Australia. This conflict search incorporates all Partners, Directors and Managers of BDO affiliated organisations. We are not aware of any circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective assistance in this matter.

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from XCD for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Australian Financial Complaints Authority ('AFCA').

AFCA is an external dispute resolution scheme that deals with complaints from consumers in the financial system. It is a not-for-profit company limited by guarantee and authorised by the responsible federal minister. AFCA was established on 1 November 2018 to allow for the amalgamation of all Financial Ombudsman Service ('FOS') schemes into one. AFCA will deal with complaints from consumers in the financial system by providing free, fair and independent financial services complaint resolution. If an issue has not been resolved to your satisfaction you can lodge a complaint with AFCA at any time.

Our AFCA Membership Number is 12561. Further details about AFCA are available on its website www.afca.org.au or by contacting it directly via the details set out below.

Australian Financial Complaints Authority
GPO Box 3
Melbourne VIC 3001
AFCA Free call: 1800 931 678
Website: www.afca.org.au
Email: info@afca.org.au

You may contact us using the details set out on page 1 of the accompanying report.

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Appendix 1 - Glossary and copyright notice

Appendix 2 - Valuation Methodologies

Appendix 3 - Independent Valuation Report prepared by RISC Advisory

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38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

22 May 2020

The Directors
XCD Energy Limited
Level 1, 35 Outram Street
West Perth, WA 6005

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 27 April 2020, 88 Energy Limited ('88E' or 'Bidder') announced its intention to make an off-market takeover offer to acquire all of the fully paid ordinary shares and listed options on issue in XCD Energy Limited ('XCD' or 'the Company').

On 7 May 2020 XCD announced that it had entered into a Bid Implementation Agreement ('BIA') with 88E, under which 88E will offer to acquire all of the fully paid ordinary shares and listed options on issue in XCD Energy.

Under the terms of the BIA, 88E is offering XCD shareholders ('Shareholders') 2.4 new 88E shares for every XCD share they hold ('Shareholder Offer'), and XCD listed option holders ('Option Holders') 0.7 new 88E shares for every XCD listed option they hold ('Option Holder Offer'). Our Report refers to the Shareholder Offer and Option Holder Offer collectively as 'the Offers'. The Offers are subject to 88E receiving acceptances totalling 90% of the XCD shares on issue and 90% of the XCD listed options on issue, however 88E reserves the right to declare the Offers free from the 90% minimum acceptance condition (or any other condition). In the event the Offers are successful, XCD will become a subsidiary of 88E.

On 12 May 2020, XCD released a Bidder's Statement ('Bidder's Statement') from 88E setting out the complete terms of the Offers.

On 21 May 2020, 88E released a Supplementary Bidder's Statement. We note the Supplementary Bidder's Statement had no substantive changes.

Further details of the Offers are set out in Section 4.

All currencies in this report are expressed in Australian Dollars ('\$') unless otherwise specified

2. Summary and Opinion

2.1 Requirement for the report

The directors of XCD have requested that BDO Corporate Finance (WA) Pty Ltd ('BDO') prepare an independent expert's report ('our Report') to express an opinion as to whether the Offers are fair and reasonable to the Shareholders and Option Holders of XCD.

Our Report is prepared pursuant to section 640 of the Corporations Act 2001 ('Corporations Act' or 'the Act') and is to be included in the Target's Statement for XCD in order to assist the Shareholders and Option Holders in their decision whether to accept the Offers.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('ASIC') Regulatory Guide 111 'Content of Expert's Reports' ('RG 111') and Regulatory Guide 112 'Independence of Experts' ('RG 112').

In arriving at our opinion, we have assessed the terms of the Offers as outlined in the body of this report. We have considered:

- How the value of an XCD share prior to the Shareholder Offer (on a control basis) compares to the value of 2.4 shares in 88E (on a minority basis) following completion of the Shareholder Offer;
- How the value of an XCD listed option prior to the Option Holder Offer compares to the value of 0.7 shares in 88E (on a minority basis) following completion of the Option Holder Offer;
- The likelihood of an alternative offer being made to XCD;
- Other factors which we consider to be relevant to the Shareholders in their assessment of the Offers; and
- The position of Shareholders should the Offers not proceed.

2.3 Opinion

Shareholder Offer

We have considered the terms of the Shareholder Offer as outlined in the body of this report and have concluded that, in the absence of an alternate offer, the Shareholder Offer is fair and reasonable to Shareholders.

Option Holder Offer

We have considered the terms of the Option Holder Offer as outlined in the body of this report and have concluded that, in the absence of an alternate offer, the Option Holder Offer is fair and reasonable to Option Holders.

2.4 Fairness

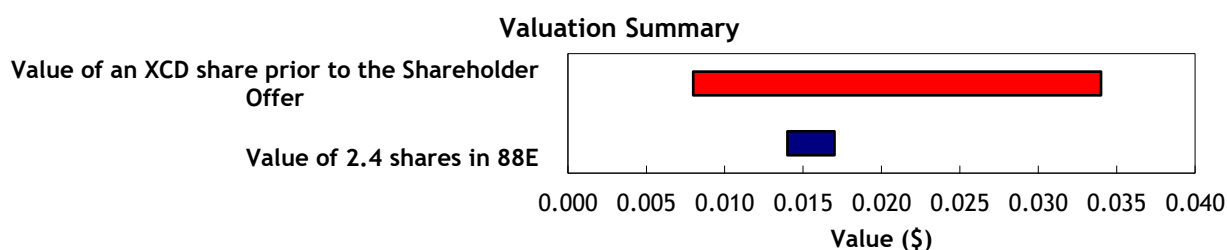
Shareholder Offer

In section 13 we determined that the value of a share in XCD prior to the Shareholder Offer, on a control basis, compares to the value of 2.4 shares in 88E to be received by Shareholders as consideration under the Shareholder Offer, on a minority basis, as detailed on the following page.

	Ref	Low \$	High \$
Value of an XCD share prior to the Shareholder Offer (control)	10.3	0.008	0.034
Value of 2.4 shares in 88E (minority) (rounded)	12	0.014	0.017

Source: BDO analysis

The above valuation ranges are graphically presented below:



In the absence of any other relevant information and an alternate offer, we consider the Shareholder Offer to be fair to Shareholders, as the value of 2.4 88E shares falls within our assessed valuation range for an XCD share.

The wide valuation range of an XCD share prior to the Shareholder Offer, reflects the independent market valuation of XCD's Project Peregrine, prepared by RISC Advisory Pty Ltd. The Independent Valuation Report prepared by RISC (Appendix 3), notes the wide valuation range is due to the 'exploratory nature of the asset, the dependency on a successful farm-out, and current investment uncertainty in the oil and gas sector'.

Based on quoted market prices, which is our secondary valuation methodology, our assessed value range of an XCD share on a control basis is between \$0.006 and \$0.011 which is below the value of the Offer consideration.

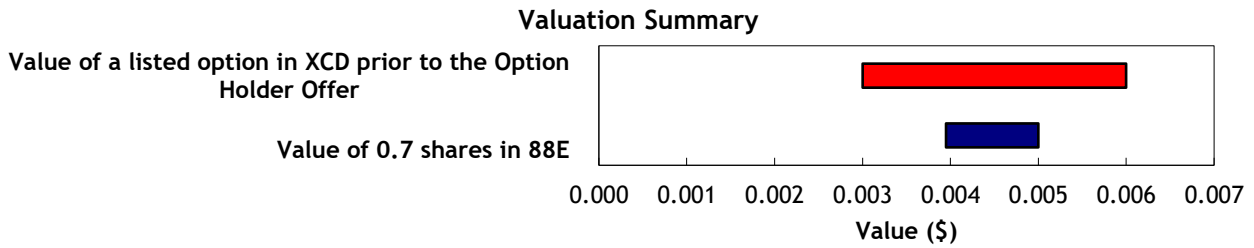
Option Holder Offer

In section 13 we determined that the value of a listed option in XCD prior to the Option Holder Offer, compares to the value of 0.7 shares in 88E to be received by Option Holders as consideration under the Option Holder Offer, on a minority basis, as detailed below.

	Ref	Low \$	High \$
Value of a listed option in XCD prior to the Option Holder Offer	11	0.003	0.006
Value of 0.7 shares in 88E (minority) (rounded)	12	0.004	0.005

Source: BDO analysis

The above valuation ranges are graphically presented below:



The above pricing indicates that, in the absence of any other relevant information, and an alternate offer, the Option Holder Offer is fair for Option Holders.

2.5 Reasonableness

We have considered the analysis in section 14 of this report, in terms of both

- advantages and disadvantages of the Offers; and
- other considerations, including the position of Shareholders and Option Holders if the Offers are not accepted and the consequences of not accepting the Offers.

In our opinion, the position of Shareholders and Option Holders if the Offers are accepted is more advantageous than the position if the Offers are not accepted. Accordingly, in the absence of any other relevant information and/or an alternate proposal we believe that the Offers are reasonable for Shareholders and Option Holders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
14.1.1	The Shareholder Offer is fair	14.2.1	Shareholders who accept the Offer will no longer hold a direct interest in XCD
14.1.2	The Option Holder Offer is fair	14.2.2	In the event 88E is successful in acquiring an interest of greater than 50.1% in XCD and 88E declares the Offer free of the 90% minimum acceptance condition, Shareholders will hold a diluted interest in 88E
14.1.3	Shareholders and Option Holders who accept the Offers will receive shares in a more diversified company with a stronger balance sheet	14.2.3	Shareholders and Option Holders who accept the Offers will be exposed to the debt held by 88E

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
14.1.4	Better prospects for farm-out agreements	14.2.4	Shareholders and Option Holders who accept the Offers may be subject to potential tax implications.
14.1.5	Shareholders and Option Holders who accept the Offers will receive shares in a company with a greater ability to raise funds		
14.1.6	Shareholders and Option Holders who accept the Offers will receive shares in a company with improved liquidity		
14.1.7	Shareholders and Option Holders who accept the Offers will retain some exposure to the upside potential of XCD's Project Peregrine.		

Other key matters we have considered include:

Section	Description
14.3.1	Shareholders who reject the Shareholder Offer could become minority Shareholders in a company in which 88E would have a controlling interest
14.3.2	Listed Option Holders who reject the Option Holder Offer may be left holding an option over an unlisted share
14.4.1	Alternative Proposals
14.4.2	Post Announcement Pricing

3. Scope of the Report

3.1 Purpose of the Report

88E has prepared a Bidder's Statement in accordance with Section 636 of the Corporations Act. Under section 633 Item 10 of the Act XCD is required to prepare a Target Statement in response to the Bidder's Statement.

Section 640 of the Act requires the Target Statement to include an expert's report to shareholders if:

- The bidder's voting power in the target is 30% or more; or
- The bidder and the target have a common director or directors.

Further, the Corporations Act requires the expert to be someone other than an associate of the Bidder or Target.

There are no common directors of XCD or 88E and 88E does not have a voting power in XCD of 30% or more. Accordingly, there is no requirement for this Report pursuant to section 640 of the Act. Notwithstanding the above, the directors of XCD have requested that BDO prepare this report as if it were an independent experts report pursuant to section 640. This report is to be included in the Target's Statement for XCD to assist Shareholders and Option Holders in deciding whether to accept or reject the Offers.

3.2 Regulatory guidance

Neither the Listing Rules nor the Corporations Act defines the meaning of 'fair and reasonable'. In determining whether the Offers are fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

This regulatory guide suggests that where the transaction is a control transaction, the expert should focus on the substance of the control transaction rather than the legal mechanism used to effect it.

In our opinion, the Offers are control transactions as defined by RG 111 and we have therefore assessed the Offers as control transactions to consider whether, in our opinion, they are fair and reasonable to Shareholders and Option Holders.

3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is equal to or greater than the value of the securities subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. When considering the value of the securities subject of the offer in a control transaction it is inappropriate for the expert to apply a discount on the basis that the shares being acquired represent a minority or portfolio interest as such the expert should consider this value inclusive of a control premium. Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison of the Offers in the following parts:

- A comparison between the value of an XCD share (on a control basis) and the value of 2.4 shares in 88E (on a minority basis) (fairness - see Section 13 'Are the Offers Fair?');
- A comparison between the value of an XCD listed option, and the value of 0.7 shares in 88E (on a minority basis) (fairness - see Section 13 'Are the Offers Fair?'); and
- An investigation into other significant factors to which Shareholders and Option Holders might give consideration, prior to accepting the Offers, after reference to the value derived above (reasonableness - see Section 14 'Are the Offers Reasonable?').

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('APES 225').

A Valuation Engagement is defined by APES 225 as follows:

‘an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.’

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

4. Outline of the Offers

On 27 April 2020, 88E announced an unsolicited off-market takeover offer to acquire all of the fully paid ordinary shares and listed options on issue in XCD. On 7 May 2020, XCD announced that 88E had revised the Offers, and that it had entered into a BIA with 88E, under which 88E will offer to acquire all of the fully paid ordinary shares and listed options on issue in XCD.

Under the Offers, Shareholders will receive 2.4 shares in 88E for every XCD share they hold and Option Holders will receive 0.7 shares in 88E shares for every XCD listed option they hold.

The XCD Board of Directors has recommended that all XCD security holders accept the Offers, subject to there being no superior proposal and the Independent Expert concluding that the Offers are reasonable.

On 12 May 2020, 88E released a Bidder’s Statement setting out the complete terms of the Offers.

Amongst other things, the Bidder’s Statement sets out that:

- 88E and its associates have a relevant interest in 129,416,124 shares in XCD, representing approximately 18.5% of XCD shares on issue, as a result of entering into Pre-Bid Acceptance Deeds with major shareholders of XCD;
- Assuming the Offers are accepted by all Shareholders and all Option Holders, the number of new 88E shares issued to Shareholders and Option Holders would represent approximately 20% of the total 88E shares on issue;
- If 88E achieves sufficient acceptances such that it holds more than 90% of the XCD shares on issue, it will proceed to compulsory acquisition and will remove XCD from the Official List of the ASX;
- If 88E achieves sufficient acceptances such that it holds a sufficient number of XCD shares to exercise control over the management and operations of XCD, but does not hold sufficient shares to move to compulsory acquisition, it may continue acquiring XCD shares in reliance on the ‘3% creep’ exception in the Act, and will exercise its rights to a general compulsory acquisition when it becomes entitled to;
- If 88E achieves sufficient acceptances such that it holds more than 50% of the XCD shares on issue, and the Offers become, or are declared unconditional, XCD must take all steps necessary to ensure the resignation and appointment of directors of XCD such that majority of the XCD directors are nominated by 88E;
- Upon 88E receiving acceptances for more than 50% of the XCD shares on issue, and the Offers becoming or being declared unconditional, 10,000,000 of the XCD performance rights held by XCD Managing Director, Dougal Ferguson, will vest and be exercised, and XCD shares resulting from the exercise will be issued and registered before the end of the Offer period. In addition, Mr Ferguson will also be entitled to receive 50% of his maximum short-term incentive payment, being \$63,500;

- 88E intends to substantially continue to conduct XCD’s business in its current manner, and it will seek to find a farm-out partner for XCD’s Project Peregrine as soon as possible;
- For those Shareholders and Option Holders that accept the Offers, 88E will issue 88E consideration shares, at the earlier of one month after validly accepting the Offers or 21 days after the end of the Offer period (provided the Offers have become unconditional);
- Those Shareholders and Option Holders who do not accept the Offers will remain Shareholders and Option Holders in XCD; and
- The XCD Directors have all agreed to accept the Offers in respect of their own holdings, in the absence of a superior proposal and subject to the independent expert concluding the Offers are reasonable.

Further details of the Offers can be found in the Bidder’s Statement.

At or about the date of Our Report the entire issued capital of XCD comprised:

Class of Securities	Number of securities
Fully paid ordinary listed shares	699,728,934
Listed options	117,450,000
Unlisted options	
<ul style="list-style-type: none"> • Exercisable at \$0.048 on or before 28/11/20 • Exercisable at \$0.072 on or before 28/11/20 • Exercisable at \$0.096 on or before 28/11/20 • Exercisable at \$0.048 on or before 4/12/21 • Exercisable at \$0.072 on or before 4/12/21 • Exercisable at \$0.096 on or before 4/12/21 • Exercisable at \$0.048 on or before 4/12/21 	3,000,000 3,000,000 3,000,000 1,000,000 1,000,000 1,000,000 4,000,000
Total Unlisted Options	16,000,000
Performance rights	
<ul style="list-style-type: none"> • Performance Rights Class A • Performance Rights Class B • Performance Rights Class c • Performance Rights Class D 	5,000,000 5,000,000 5,000,000 5,000,000
Total Performance Rights	20,000,000

We note that 88E directors, Michael Evans and David Wall hold 4,000,000 and 29,395,800 shares in XCD respectively. David Wall also holds 2,500,000 XCD listed options.

88E is not making a separate offer to the holders of XCD unlisted options. The holders of any XCD unlisted options which are converted to shares during the Offer Period are able to accept the Shareholder Offer, provided their acceptance is received during the Offer period.

88E may elect to make private treaty offers to holders of XCD unlisted options, to acquire or cancel their options subject to the Shareholder Offer becoming, or being declared, unconditional. If XCD options are not exercised, and 88E becomes entitled to compulsorily acquire any outstanding XCD shares, 88E intends to compulsorily acquire or cancel any outstanding unlisted options.

The table below provides a summary of the maximum number of shares in 88E to be issued as consideration under the Offers:

Share structure of 88E assuming full acceptance of the Offers		Percentage of Issued Shares
Shareholder Offer		
Shares on issue in XCD prior to the Offers	699,728,934	
XCD shares issued on conversion of performance rights*	10,000,000	
Total Bid Class XCD Shares	709,728,934	
<i>Number of 88E shares offered as consideration for every XCD share held</i>	<i>2.4</i>	
88E shares to be issued to XCD Shareholders following successful completion of the Offers	1,703,349,442	
Option Holder Offer		
XCD listed options on issue prior to the Offers	117,450,000	
<i>Number of 88E shares offered as consideration for every XCD listed option held</i>	<i>0.7</i>	
88E shares to be issued to XCD Option Holders following successful completion of the Offers	82,215,000	
Total 88E shares to be issued to XCD security holders	1,785,564,442	20%
88E shares on issue prior to the Offers	7,109,635,564	
88E shares to be issued to Longreach Capital Pty Ltd**	25,423,729	
Total 88E shares on issue following acceptance of the Offers	8,920,623,735	

* 10,000,000 performance rights held by the Managing Director of XCD, Dougal Ferguson will vest upon 88E receiving more than 50% of the XCD shares on issue and the Offers being declared unconditional. It is expected that the remaining 10,000,000 performance rights on issue will lapse.

** 88E will pay Longreach Capital Pty Ltd ('Longreach'), its corporate advisor, 50% of the transaction fees owed through the issue of new 88E shares. The transaction fees will vary depending on the percentage of acceptances, and as such this amount is subject to change. The number of shares issued to Longreach, is determined with reference to the volume weighted average price ('VWAP') of 88E over the 5 trading days prior to lodgement of the Bidder's Statement. We have calculated the 5 day VWAP to be \$0.0059, resulting in the issue of approximately 25.4 million shares in 88E (assuming full acceptance of the Offers) to Longreach. Further details on this payment can be found in the Bidder's statement.

We have assumed that none of the unlisted XCD options will be exercised during the Offer Period as they are currently out of the money.

We note the table presented above is assuming full acceptance of the Offers. We note this is not the only outcome that may eventuate.

5. Profile of XCD

5.1 History

XCD is an ASX listed oil and gas exploration company with operations in Alaska, USA. The Company holds a 100% interest in 17 leases within the National Petroleum Reserve of Alaska ('NPR'), covering 195,373 acres, which collectively form Project Peregrine ('Project Peregrine'). Project Peregrine is held through XCD's Alaskan subsidiary, Emerald House LLC ('Emerald').

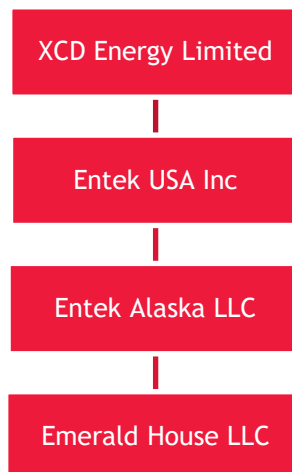
The leases are located on the Alaskan North Slope, a super basin which has produced more than 16 billion barrels of oil to date, with an estimated 28 billion barrels remaining in the reserve. Each lease has a term of 10 years from its date of issue, with the majority of XCD's leases commencing in March 2019 and March 2020. The leases include an annual fee payable of US\$3/acre and are managed by the United States Bureau of Land Management ('BLM'). A lease bond of US\$300,000 has been lodged by XCD with the BLM, and is refundable upon the relinquishment of the leases. As the lessor, the BLM is entitled to receive a 12.5% royalty if, or when, production commences. Project Peregrine has three prospects as part of the Nanushuk and Torok oil plays, being Merlin (Nanushuk), Harrier (Nanushuk) and Harrier Deep (Torok).

The Company was incorporated in 2004 and was formerly known as Entek Energy Limited, before changing its name in August 2019. XCD's headquarters are based in Perth, Western Australia.

The Company's current directors are:

- Peter Stickland, Non-Executive Chairman;
- Dougal Ferguson, Managing Director; and
- Anthony Walsh, Non-Executive Director.

Outlined below is the corporate structure of XCD, showing the Company's wholly owned subsidiaries.



XCD previously wholly owned Entek GRB LLC, before it was deregistered during the financial year ended 30 June 2019.

Project Peregrine

On 29 November 2018 XCD entered into an option agreement with Elixir Energy Limited ('Elixir Energy') to acquire Emerald, which at the time held three leases in Alaska, totalling 35,423 acres in the NPRA. On 13 December 2018 Emerald was successful in securing 10 further leases covering 114,167 acres. XCD exercised its option to acquire Emerald on 31 January 2019 and as a result obtained the 13 leases held by Emerald. The consideration for the acquisition was 185 million shares in XCD, and approximately US\$1.35 million in cash. This marked the Company's entrance into the Alaskan oil and gas market and the creation of Project Peregrine.

Following completion of the acquisition on 15 April 2019, Dougal Ferguson was appointed Managing Director, and subsequently Peter Stickland was appointed non-executive chairman. On 8 August 2019, the Company completed its name change, from Entek Energy Limited to XCD Energy Limited.

During the quarter to 30 June 2019, XCD initiated the Integrated Nanushuk Technical Regional Overview ('INTRO Project'), focussing on the Nanushuk play. As part of the INTRO project, the Company completed the reprocessing of approximately 600km of 2D data, originally acquired by the United States Geological Survey in the 1970s and 1980s. The reprocessing area covered the Company's leases as well as Willow field, operated by ConocoPhillips Alaska. This data, along with other well data, was integrated into the INTRO Project, to improve the geological understanding of the area (Nanushuk play).

On 16 December 2019 XCD announced that it had secured a further four leases within the NPRA. The leases cover 45,783 acres in the fairway of the North Slope of Alaska and compliment the 13 existing leases held by XCD.

In January 2020 the Company released results from its maiden Independent Prospective Resources Report ('Prospective Report') completed by ERC Equipoise Pte Ltd. On 20 May 2020, XCD released an update to the Prospective Report. The results from the updated Prospective Report are outlined below, with resource estimates ranging from low to high, to reflect the exploratory nature of Project Peregrine. The Prospective Report estimates a mean unrisked recoverable oil resource in excess of 1.6 billion barrels of oil. This is a net amount, calculated as 86.2% of the 100% working interest, after the deduction of royalties. These royalties comprise a state royalty of 12.5% and an overriding royalty interest of 1.3%.

Prospects	Prospective Oil Resources (MMstb)			
	Low	Best	High	Mean
Merlin (Nanushuk)	41	270	1,463	645
Harrier (Nanushuk)	48	207	940	417
Harrier Deep (Torok)	42	267	1,336	574
Proved and Probable	Total			1,636

Source: XCD announcements 21 January 2020 and 20 May 2020

Following the completion of the INTRO Project and the release of the Prospective Report, XCD embarked on a farm-out campaign, looking to introduce partners to its 100% owned lease position. It was anticipated that the farm-out would either involve the drilling of two low cost exploration wells or a 3D seismic program potentially being conducted as early as the winter of 2021. In its quarterly activities report for the period ended 31 March 2020, the Company announced that due to the significant reduction in oil prices that occurred since March 2020, it had decided to temporarily suspend the farm-out effort until there was further visibility as to the future direction of oil prices and capital markets.

On 1 May 2020, XCD announced that neighbouring company Conoco Philips had encountered hydrocarbons from one of its wells which was drilled on its Harpoon exploration prospect. This prospect is interpreted to be directly on trend and analogous to XCD's Harrier Prospect ('**Harrier**'), and as such the announcement was interpreted to positively impact the future viability of Harrier, and the farm-out prospects for the project.

Corporate Events

During the financial year ended 30 June 2019, XCD deregistered its US subsidiary, Entek GRB LLC ('**Entek GRB**'), following disclosure in FY18 that the subsidiary had been discontinued. Entek GRB had previously held the Focus Ranch Assets ('**Focus Ranch**') and Battle Mountain lease interests. Focus Ranch was assigned to Equity Investments Inc. ('**EII**') during FY18, following the exercise of an option to acquire. The deregistration saw the Company forfeit several security bonds, which were put in place by Entek GRB to cover rehabilitation costs associated with their assets. As part of the deregistration process, XCD was relieved of any further liabilities with Colorado regulators, however a risk still exists that a claim could be made against the Company. XCD considers this a contingent liability with no quantifiable amount.

On 1 August 2019, the Company issued 20 million performance rights to the Managing Director of the Company as part of his remuneration package. The rights were issued with the following vesting conditions:

Class	Rights per Tranche	Expiry	Vesting condition
Class A	5,000,000	30-Jun-24	The rights will vest upon the 20 day Volume Weighted Average Price (' VWAP ') exceeding \$0.025, with a last vesting date of 30 June 2021.
Class B	5,000,000	30-Jun-27	The rights will vest upon the 20 day VWAP exceeding \$0.050, with a last vesting date of 30 June 2024.
Class C	5,000,000	30-Jun-25	The rights will vest upon completion of a farm-out transaction for one or more of the Alaskan leases on or before 30 June 2022.
Class D	5,000,000	30-Jun-26	The rights will vest upon the satisfaction of tranche 3 rights and the successful drilling of an exploration well in the Alaskan leases on or before 30 June 2023
Total	20,000,000		

On 23 October 2019, XCD announced that it had received commitments of \$2.00 million in the form of a two-tranche placement. During the half year ended 31 December 2019, the Company completed both tranches of capital raising at \$0.01 per share. As part of the capital raising the Company issued one option for every two fully paid shares subscribed, exercisable at \$0.02 per option on or before 30 November 2022. These unlisted options were subsequently converted into quoted options listed on the ASX.

During the period to 31 December 2019, the Company issued 17,450,000 options to the corporate advisor and joint lead manager as part consideration for the placement.

5.2 Historical Statement of Financial Position

Statement of Financial Position	Reviewed as at 31-Dec-19 \$	Audited as at 30-Jun-19 \$	Audited as at 30-Jun-18 \$
CURRENT ASSETS			
Cash and cash equivalents	2,743,128	1,624,016	4,353,622
Trade and other receivables	148,199	75,090	136,827
TOTAL CURRENT ASSETS	2,891,327	1,699,106	4,490,449
NON-CURRENT ASSETS			
Plant and equipment	14,715	16,993	17,199
Right of use asset	51,361	-	-
Deferred exploration expenditure	4,211,737	3,809,479	-
Other receivables	427,792	426,821	-
TOTAL NON-CURRENT ASSETS	4,705,605	4,253,293	17,199
TOTAL ASSETS	7,596,932	5,952,399	4,507,648
CURRENT LIABILITIES			
Trade and other payables	205,159	134,409	331,013
Lease liabilities	20,731	-	-
Provisions	24,969	7,344	-
TOTAL CURRENT LIABILITIES	250,859	141,753	331,013
NON-CURRENT LIABILITIES			
Lease liabilities	33,829	-	-
TOTAL NON-CURRENT LIABILITIES	33,829	-	-
TOTAL LIABILITIES	284,688	141,753	331,013
NET ASSETS	7,312,244	5,810,646	4,176,635
EQUITY			
Issued capital	67,190,869	65,259,579	63,039,578
Reserves	18,879,352	18,806,019	10,392,148
Accumulated losses	(78,757,977)	(78,254,952)	(69,255,091)
TOTAL EQUITY	7,312,244	5,810,646	4,176,635

Source: XCD's audited financial statements for the years ended 30 June 2018 and 30 June 2019 and reviewed financial statements for the half year ended 31 December 2019

XCD's annual report for the 2019 financial year includes an unmodified audit report without qualifications. However, we note that the Company's auditors outlined the existence of material uncertainty relating to the ability of the Company to continue as a going concern, noting that it was dependent on the future farm-out or partial sale of the Company's Alaskan assets and/or future capital raisings. We note the auditor did not outline the existence of material uncertainty relating to going concern in the reviewed financial statements for the half year ended 31 December 2019.

- In the half-year to 31 December 2019, cash and cash equivalents increased by approximately \$1.12 million, primarily a result of cash inflows of \$2.00 million from the equity placement, which was partially offset by payments to suppliers and employees, payments on exploration expenditure and payments related to equity issues.

- In the year to 30 June 2019 the cash balance decreased by approximately \$2.73 million primarily as a result of cash outflows from the cash component of the Emerald acquisition, and capitalised exploration expenditure of \$2.02 million and payments to suppliers and employees.
- Right of use ('ROU') assets of \$0.05 million at 31 December 2019 comprised head office leases of \$0.08 million and accumulated depreciation of \$0.03 million. The head office lease is over a period of four years, commencing 1 July 2018. The ROU asset and corresponding lease liability of \$0.055 was brought on-balance sheet as a result of the adoption of the new AASB 16: Leases accounting standard.
- Other non-current receivables of \$0.43 million at 31 December 2019 relate to a bond held with the BLM in relation to Alaskan leases. Deposits include a bank guarantee for office premises, and a lease deposit.
- Deferred exploration expenditure increased from \$3.81 million at 30 June 2019 to \$4.21 million at 31 December 2019. The increase of \$0.40 million was a result of exploration expenditure on Project Peregrine during the six month period to 31 December 2019. The ultimate recoupment of the cost carried forward is dependent on the successful development and commercial exploitation or sale of the respective lease areas. This balance was first recognised in FY19 upon completion of the acquisition of Emerald from Elixir Energy during the financial year.

5.3 Historical Statement of Profit or Loss and Other Comprehensive Income

Statement of Profit or Loss and Other Comprehensive Income	Reviewed for the half year ended 31-Dec-19 \$	Audited for the year ended 30-Jun-19 \$	Audited for the year ended 30-Jun-18 \$
Continuing operations			
Revenue	5,793	62,598	67,487
Foreign currency gain/ (loss)	(15,300)	44,035	63,639
Other expenses	(490,835)	(972,511)	(714,416)
Loss for continuing operations before income tax	(500,342)	(865,878)	(583,290)
Income tax expense	-	-	-
Loss for continuing operations after income tax	(500,342)	(865,878)	(583,290)
Loss for discontinued operations	-	-	(2,733)
Loss on deregistration of foreign subsidiary	-	(8,133,982)	-
Loss after income tax	(500,342)	(8,999,860)	(586,023)
Other comprehensive income			
Items which are subsequently reclassified to profit or loss			
Foreign currency translation differences	(2,914)	3,897	(8,964)
Reclassification to P&L on deregistration of foreign subsidiary	-	8,367,368	-
Other Comprehensive loss for the period, net of income tax	(2,914)	8,371,265	(8,964)
Total comprehensive loss for the year	(503,256)	(628,595)	(594,987)

Source: XCD's audited financial statements for the years ended 30 June 2018 and 30 June 2019 and reviewed financial statements for the half year ended 31 December 2019

XCD's annual report for the 2019 financial year includes an unmodified audit report without qualifications. However, we note that the Company's auditors outlined the existence of material uncertainty relating to the ability of the Company to continue as a going concern, noting that it was dependent on the future farm-out or partial sale of the Company's Alaskan assets and/or future capital raisings. We note the auditor did not outline the existence of material uncertainty relating to going concern in the reviewed financial statements for the half year ended 31 December 2019.

- Revenue of \$0.01 million for the half year ended 31 December 2019 and \$0.06 million for the year ended 30 June 2019 relates to interest received.
- Other expenses of \$0.49 million for the half year ended 31 December 2019 comprise directors, employees and consultants expense of \$0.31 million, depreciation of plant and equipment share based payments, and other expenses. Other expense balances for FY19 and FY18 accounts include a rent expense. HY19 does not include this balance, as a result of changes involving the treatment of leases under AASB 16.
- Loss on deregistration of foreign subsidiary of \$8.13 million for the year ended 30 June 2019 relates to the dissolution of the Company's US subsidiary, Entek GRB LLC. The loss is largely attributable to the reclassification of foreign currency translation movements over the years that the subsidiary was consolidated for reporting purposes.

5.4 Capital Structure

The share structure of XCD as at 18 May 2020 is outlined below:

	Number
Total ordinary shares on issue	699,728,934
Top 20 shareholders	217,328,574
Top 20 shareholders - % of shares on issue	31.06%

Source: share registry information

The range of shares held in XCD as at 18 May 2020 is as follows:

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	138	42,870	0.01
1,001 - 5,000	159	450,192	0.06
5,001 - 10,000	106	818,252	0.12
10,001 - 100,000	654	29,388,606	4.20
100,001 - and over	536	669,029,014	95.61
TOTAL	1,593	699,728,934	100

Source: share registry information

The ordinary shares held by the most significant shareholders as at 18 May 2020 are detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
88 Energy Limited*	129,416,142	18.50
Subtotal	129,416,142	18.50
Others	570,312,792	81.50
Total ordinary shares on Issue	699,728,934	100

*this interest is a result of 88E entering pre-bid acceptance deeds with XCD shareholders

XCD's performance rights on issue at 12 May 2020 are outlined below:

Class	Rights per class	Expiry	Vesting condition
Class A	5,000,000	30-Jun-24	The rights will vest upon the 20 day VWAP exceeding \$0.025, with a last vesting date of 30 June 2021.
Class B	5,000,000	30-Jun-27	The rights will vest upon the 20 day VWAP exceeding \$0.050, with a last vesting date of 30 June 2024.
Class C	5,000,000	30-Jun-25	The rights will vest upon completion of a farm-out transaction for one or more of the Alaskan leases on or before 30 June 2022.
Class D	5,000,000	30-Jun-26	The rights will vest upon the satisfaction of tranche 3 rights and the successful drilling of an exploration well in the Alaskan leases on or before 30 June 2023
Total	20,000,000		

Source: Appendix 3B

XCD's unlisted options as at 12 May 2020 are outlined below:

Number of Options	Exercise Price	Expiry
3,000,000	\$0.048	28-Nov-20
3,000,000	\$0.072	28-Nov-20
3,000,000	\$0.096	28-Nov-20
1,000,000	\$0.048	4-Dec-21
1,000,000	\$0.072	4-Dec-21
1,000,000	\$0.096	4-Dec-21
4,000,000	\$0.048	4-Dec-21
16,000,000		

Source: Appendix 3B

6. Profile of 88 Energy Limited

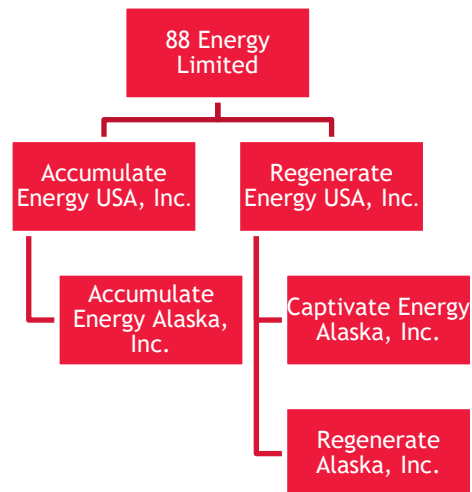
6.1 History

88 Energy Limited (**'88E'**) is an ASX and Alternative Investments Market (**'AIM'**) listed oil and gas exploration company with operations in Alaska, USA. 88E holds a 64% interest in Project Icewine (**'Icewine'**), a 100% interest in the Yukon Gold Leases (**'Yukon Gold'**) and rights to a 36% interest in the Western Blocks Project (**'Western Blocks'**). It was incorporated in 1996 and was formerly known as Tangiers Petroleum Limited, before changing its name in 2015. 88E's headquarters are located in Perth, Western Australia.

88E's current directors are:

- Michael Evans, Non-Executive Chairman;
- David Wall, Managing Director; and
- Stephen Staley, Non-Executive Director.

88E wholly owns a number of subsidiaries, with the corporate structure outlined below:



88E also wholly owns Fortis Nominees Pty Ltd, a dormant subsidiary.

88E has been operating on the Central North Slope of Alaska since 2015, after entering into a binding agreement with Burgundy Xploration LLC (**'Burgundy'**), to acquire a working interest in Icewine. 88E has since expanded this project by increasing acreage to approximately 486,000 gross contiguous acres.

88E diversified its North Slope portfolio in 2017 by successfully bidding on the Yukon leases, including a historical oil discovery, Yukon Gold-1.

It further diversified in 2018, entering into an agreement with Great Bear Petroleum (**'Great Bear'**), by which 88E, along with Red Emperor Limited (**'Red Emperor'**) and Otto Energy Limited (**'Otto'**), acquired the majority of Great Bear's working interest in the Western Blocks leases. The agreement involved the drilling of the Winx-1 exploration well, with 88E earning 8,175 net acres.

Project Icewine

Icewine is 88E's main project, holding a 64% working interest in the Joint Venture ('JV') with Burgundy (on the basis Premier Oil Plc ('Premier Oil') formally withdraws from the JV), with gross acreage of approximately 486,000 continuous acres. Icewine has potential for conventional and unconventional oil plays. The Charlie-1 Well ('Charlie-1') is a conventional play within Icewine and the HRZ Exploration Wells ('HRZ') is an unconventional play. Both the Dalton Highway and the TransAlaskan pipeline, run through the acreage and provide year round operational access.

Charlie-1 Well

88E operates the Charlie-1 Well ('Charlie-1'), which is located within Area A of Icewine ('Area A'). It is a conventional oil well, operated via its wholly owned subsidiary Accumulate Energy Alaska Inc. In August 2019, 88E signed a Sale and Purchase Agreement ('SPA') with Premier, whereby Premier farmed-in for a 60% working interest in Area A, with 88E retaining a 30% working interest and Burgundy holding the remaining 10%. Under the SPA, Premier would pay the full costs of the appraisal of Charlie-1, up to the value of US\$23 million.

88E planned to drill and test the well in the first quarter of 2020, with the permit to drill approved by the Alaska Oil and Gas Conservation Commission ('AOGCC') on 11 February 2020. The drilling process commenced on 2 March 2020, with the target depth of 11,112 feet (true vertical depth) reached on 30 March 2020.

On 7 April 2020, 88E announced that the Charlie-1 appraisal had indicated the presence of hydrocarbons, in the form of gas condensate. Hydrocarbons were successfully recovered, with further testing required to confirm the composition and gas to liquid ratio.

Following the announcement of drilling results, Premier informed 88E that it intended to withdraw from the joint venture, as the well did not meet its pre-drill expectations.

The well has since been plugged and abandoned, in line with standard industry practice. The decision to plug and abandon the well, instead of moving to testing or suspension, was made for a number of reasons including:

- Further analysis required to determine if the discovery can be commercialised on the North Slope, given the high gas content;
- An optimal simulation and test not being possible in the timeframe required, given the length of season remaining and different phases of hydrocarbons discovered;
- Uncertain access to personnel, in light of COVID-19; and
- A reluctance to create a potential future liability, should the well instead be plugged and abandoned in future seasons, at a higher cost.

On 21 May 2020, 88E released results of laboratory tests from an appraisal well drilled at Charlie-1.

HRZ Exploration Wells

The HRZ shale play, an unconventional oil play forming part of Icewine, remains a viable target for 88E with options to commercialise the potentially large resource. The JV intends to conduct a formal farm-out process to fund further appraisal of the area.

Western Blocks Project

88E holds rights to a 36% working interest in the four leases which form the Western Blocks, totalling 22,711 acres. Working interest in the Western Blocks is also held by Otto (22.5%), Red Emperor (31.5%) and Great Bear (10%). Great Bear is the current operator of the leases.

Western Blocks includes the Winx-1 Exploration Well ('Winx-1'). An exploration program commenced at Winx-1 in early 2019, funded collectively by 88E, Otto and Red Emperor, with total depth of 6,800ft reached on 3 March 2019. The program indicated low oil saturations, with testing and fluid sampling indicating insufficient quality and fluid mobility to warrant further testing. The well was plugged and abandoned on 18 March 2019.

88E continues to assess future strategies for the leases.

Yukon Gold Leases

88E owns the Yukon Gold leases, through its wholly owned subsidiary, Regenerate Alaska, Inc, acquired in 2018. The leases are located on the eastern border of the Central North Slope of Alaska, and cover 15,235 acres. The leases contain Yukon Gold-1, a historical well containing 86 million barrels of cascade prospect, discovered during intersection drilling in 1994. This oil is now considered a historic discovery.

Processing of the Yukon 3D interpretation and resource evaluation was completed in Q2 2019. Subsequently, the Cascade prospect was high-graded from a lead to a drillable prospect.

Discussion continues between 88E and nearby resource owners to optimise the monetisation strategy of the leases.

Permitting is currently underway ahead of potential drilling in 2021. This drilling would be subject to a farm-out agreement.

Corporate Events

On 24 January 2020, 88E announced that it had successfully completed a capital raising for \$5 million (before costs). The placement was made to domestic and international institutional investors through the issuance of 238 million ordinary shares at \$0.021 per share.

On 13 September 2019, 88E announced that it had successfully completed a bookbuild to domestic and international institutional investors to raise up to \$6.75 million, through the issue of 540 million ordinary shares at \$0.0125 per share.

On 23 March 2018, 88E's wholly owned subsidiary, Accumulate Energy Alaska Inc, entered into a US\$16.5 million debt refinancing agreement of its loan with Bank of America. The maturity of the debt was extended from 30 June 2018 to 30 December 2022. 88E agreed to assign the loan from the Bank of America to Brevet Capital Advisors. 88E expects to fund the repayment of the facility through cashable credits owed to it by the State of Alaska. As at 31 December 2019, the total cashable credits owed by the State was approximately US\$19.1 million, which exceeded the amount owing under the facility. Some uncertainty exists as to the date of payment by the State of Alaska. 88E has indicated that it considers the risk of the State not paying the credits prior to the expiry of the debt to be low, however should this be the case 88E has stated that it expects that it will be able to refinance the debt.

6.2 Historical Statement of Financial Position

Statement of Financial Position	Audited as at 31-Dec-19 \$	Audited as at 31-Dec-18 \$	Audited as at 31-Dec-17 \$
CURRENT ASSETS			
Cash and cash equivalents	15,903,117	21,722,211	14,014,422
Trade and other receivables	1,120,550	2,101,501	357,723
TOTAL CURRENT ASSETS	17,023,667	23,823,712	14,372,145
NON-CURRENT ASSETS			
Plant and equipment	12,900	11,172	4,575
Exploration and evaluation expenditure	52,928,315	76,983,981	46,934,162
Other assets	23,615,216	22,977,103	20,248,981
TOTAL NON-CURRENT ASSETS	76,556,431	99,972,256	67,187,718
TOTAL ASSETS	93,580,098	123,795,968	81,559,863
CURRENT LIABILITIES			
Trade and other payables	6,026,811	6,001,949	4,667,815
Provisions	282,199	255,353	195,865
Borrowings	-	-	21,164,883
TOTAL CURRENT LIABILITIES	6,309,010	6,257,302	26,028,563
NON-CURRENT LIABILITIES			
Borrowings	22,672,578	23,424,471	-
TOTAL NON-CURRENT LIABILITIES	22,672,578	23,424,471	-
TOTAL LIABILITIES	28,981,588	29,681,773	26,028,563
NET ASSETS	64,598,510	94,114,195	55,531,300
EQUITY			
Contributed equity	185,619,885	179,304,850	141,711,466
Reserves	23,578,127	22,628,390	15,645,286
Accumulated losses	(144,599,502)	(107,819,045)	(101,825,452)
TOTAL EQUITY	64,598,510	94,114,195	55,531,300

Source: 88E's audited financial statements for the years ended 31 December 2019, 31 December 2018 and 31 December 2017.

Commentary on Historical Statements of Financial Position

- Cash and cash equivalents decreased from \$21.72 million at 31 December 2018 to \$15.90 million at 31 December 2019. The decrease of approximately \$5.87 million was primarily the result of cash outflows from payments for exploration and evaluation activities of \$29.73 million, payments to suppliers and employees of \$3.47 million and interest and finance costs of \$2.34 million. This was partially offset by contributions from JV Partners in relation to exploration of \$23.86 million and net proceeds from the issue of shares of \$6.53 million.
- Trade and other receivables of \$1.12 million at 31 December 2019 comprised goods and services tax receivable of \$0.05 million and other deposits receivable of \$1.07 million.
- Exploration and evaluation expenditure decreased from \$76.98 million at 31 December 2018 to \$52.93 million at 31 December 2019. The decrease of approximately \$24.06 million was primarily

due to impairments of \$29.47 million relating to Icwine-2 and Winx-1 exploration wells which were plugged and abandoned in 2019, JV contributions of \$9.75 million and tax credits receivable of \$3.35 million. The JV contributions were received from Premier for expenditure to be incurred in relation to Charlie-1 in 2020. This was partially offset by additions of \$18.01 million.

- Other assets of \$23.62 million at 31 December 2019 comprised tax credits receivable of \$23.01 million, investments of \$0.43 million, a deposit for the North Slope bid of \$0.10 million and ROU asset leases of \$0.08 million. AASB 16: Leases was adopted by 88E on 1 January 2018 resulting in the inclusion of ROU within the balance.
- Provisions of \$0.28 million at 31 December 2019 comprised annual leave of \$0.23 million and long service leave of \$0.05 million.
- Borrowings of \$22.67 million at 31 December 2019 relates to the debt facility that 88E entered into with Brevet Capital Advisors on 23 March 2018, involving the refinancing of debt previously held with the Bank of America. The facility expires in December 2022. 88E expects to fund the repayment of the facility through cashable credits owed to it by the State of Alaska.

6.3 Historical Statement of Profit or Loss and Other Comprehensive Income

Statement of Profit or Loss and Other Comprehensive Income	Audited for the year ended 31-Dec-19 \$	Audited for the year ended 31-Dec-18 \$	Audited for the year ended 31-Dec-17 \$
Revenue from continuing operations			
Other income	35,931	1,362,745	56,711
Administrative expenses	(1,215,226)	(1,524,870)	(930,848)
Occupancy expenses	(34,596)	(44,958)	(154,689)
Employee benefit expenses	(1,983,685)	(1,879,007)	(1,676,706)
Share-based payment expense	(95,276)	(21,750)	(2,020,772)
Depreciation and amortisation expense	(58,110)	(50,609)	(3,952)
Finance cost	(3,095,466)	(4,224,698)	(2,703,317)
Other expenses	(30,277,141)	(149,010)	(269,358)
Foreign exchange (loss)/gain	(56,888)	538,564	(705,984)
Loss before income tax	(36,780,457)	(5,993,593)	(8,408,915)
Income tax expense	-	-	-
Loss after income tax for the year	(36,780,457)	(5,993,593)	(8,408,915)
Other comprehensive income			
Items which are subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations	854,461	6,961,354	(2,644,471)
Other comprehensive income/ (loss) for the year, net of tax	854,461	6,961,354	(2,644,471)
Total comprehensive income/ (loss) for the year attributable to member of 88 Energy Limited	(35,925,996)	967,761	(11,053,386)

Source: 88E's audited financial statements for the years ended 31 December 2019, 31 December 2018 and 31 December 2017.

Commentary on Historical Statements of Profit and Loss

- Other income of \$1.36 million for the year ended 31 December 2018 related to interest revenue of \$0.02 million and other income of \$1.36 million relating to unwinding the effect of present value discounting of tax receivable.
- Administrative expenses of \$1.22 million for the year ended 31 December 2019 comprise consultancy and professional fees, legal fees, travel costs and general administration expenses. No rental expense was recorded for FY19 due to the adoption of AASB 16: Leases.
- Other expenses of \$30.28 million for the year ended 31 December 2019 comprise exploration impairment expenses of \$29.47 million relating to Icewine-2 and Winx-1 exploration wells which were plugged and abandoned in 2019, fair value adjustment of tax credits receivable of \$0.71 million and other expenses of \$0.09 million.
- Share-based payments of \$0.10 million for the year ended 21 December 2019 relate to performance rights issued to directors and employees.

6.4 Capital Structure

The share structure of 88E as at 14 February 2020 is outlined below:

	Number
Total ordinary shares on issue	7,109,635,564
Top 20 shareholders	4,112,652,845
Top 20 shareholders - % of shares on issue	57.85%

Source: 88E's audited financial statements for the years ended 31 December 2019

The range of shares held in 88E as at 14 February 2020 is as follows:

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	426	49,125	0.00%
1,001 - 5,000	281	908,295	0.01%
5,001 - 10,000	348	2,918,652	0.04%
10,001 - 100,000	3,007	140,654,981	1.98%
100,001 - and over	2,592	6,965,104,511	97.97%
TOTAL	6,654	7,109,635,564	100.00%

Source: 88E's audited financial statements for the years ended 31 December 2019

88E's unlisted options as at 12 May 2020 are outlined below:

Number of Options	Exercise Price	Expiry
131,500,000	\$0.055	27-Oct-21
22,000,000	\$0.050	27-Oct-21
10,000,000	\$0.030	31-Jul-20
163,500,000		

Source: 88E's Bidder Statement released 12 May 2020

88E's performance rights as at 12 May 2020 are outlined below:

Milestone	Rights per Milestone	Conditions
Share Price	25,877,019	The vesting is assessed by reference to 88E's percentage absolute share growth, with one third of the rights available for testing on each anniversary from the date of issue. 31,889,466 rights were issued on 24 October 2018 (of which 10,629,882 have lapsed) and 4,617,375 were issued on 15 January 2020.
Reserve Price	12,168,947	The vesting is assessed by reference to the positive growth of proven plus probable recoverable reserves. 10,629,822 rights were issued on 24 October 2018 and 1,539,125 were issued on 15 January 2020. The rights expire 4 years from the date of issue.
Resources	6,084,474	The vesting is assessed by reference to the growth of the best estimates of contingent resources. 5,314,911 rights were issued on 24 October 2018 and 769,563 rights were issued on 15 January 2020. The rights expire 4 years from the date of issue.
Production	3,042,237	The vesting is assessed by reference to the growth in production. 2,657,456 rights were issued on 24 October 2019 and 384,781 rights were issued on 15 January 2020. The rights expire 4 years from the date of issue.
Tenure	3,042,237	The rights will vest upon the participant remaining employed by 88E, up to and including the date that is 3 years after the date of issue. 2,657,456 rights were issued on 24 October 2018 and 384,781 were issued on 15 January 2020. The rights expire 4 years from the date of issue.
50,214,914		

Source: 88E's Bidder Statement released 12 May 2020

7. Economic analysis

In the following section, we set out an analysis of the current economic context and outlook in Australia and in the US, as well as the US state of Alaska, where XCD and 88E operate.

Global

The outbreak of the 2019 coronavirus disease ('COVID-19') has clouded the near-term outlook for the global economy, with growth rates for the first half of 2020 likely significantly lower than previously expected. There is a great deal of uncertainty around how COVID-19 will impact the global economy, hinged around the duration of the pandemic, the effects on economic activity from demand and supply disruptions and enforced lockdowns, the volatility in financial markets, as well as the effectiveness of individual country policy responses. Prior to the outbreak, conditions in the global economy remained steady, with available information suggesting that the slowdown in the global economy that started in 2018 was coming to a close. This was supported by expected increases in world growth rates over the coming two years and globally low levels of inflation.

In its 15 April 2020 update, the International Monetary Fund ('IMF') predicted that the global economy would decline by 3% in 2020 due to the fallout from the COVID-19 pandemic. The baseline scenario, where the pandemic fades in the second half of 2020 and containment efforts can be slowly undone, saw the global economy predicted to grow by 5.8% in 2021.

The Reserve Bank of Australia's ('RBA') May 2020 figures predict major advanced economies to experience 3% to 7% year-average contractions for 2020, with trough to peak declines of between 10% and 15%.

Employment rates are at a multi-decade low in many countries. In response to COVID-19 and the adverse economic effects, policy measures have been announced by several countries, including China, which will help to support growth.

Interest rates remain low with a number of central banks easing monetary policy over the second half of 2019 and early 2020, and taking further measures in response to changing global conditions. Borrowing rates for both businesses and households along with and long term government bond yields are nearing historical lows.

United States

The US economy grew at a moderate rate in the second half of 2019, with growth somewhat slower than early 2019 and year end Gross Domestic Product ('GDP') growth of approximately 2.2%. The Federal Reserve Bank ('FED') predicted steady growth would continue into 2020, however this projection has been interrupted by the outbreak of COVID-19, with the near and medium-term outlook of the economy altered. The virus and measures taken in response to the outbreak are likely to induce sharp declines in economic activity and a surge in job losses.

Consumer Price Index ('CPI') inflation was below the FED's 2% target for 2019, with Personal Consumption Expenditure ('PCE') inflation recording an average 1.5% and Core PCE inflation (which excludes volatile food and energy prices), recording an average 1.6%. Projections for 2020 saw CPI increase to the 2% target, supported by monetary policy decisions. The outbreak of COVID-19 is likely to have a significant impact on CPI outcomes for 2020, driven downwards by weakened demand and low oil prices.

Entering 2020, the unemployment rate was at a 50-year low, with unemployment falling from 3.9% in late 2018 to 3.5% in December 2019, with labour force participation continuing to grow. Wages broadly grew in

line with underlying inflation, with no evidence suggesting the strong labour market placed excessive pressure on inflation. Employment losses sharply accelerated towards the end of the March quarter, with figures suggesting that 13 million jobs were lost between 15 March 2020 and 28 March 2020. The full extent of unemployment is not yet known. The FED targets maximum employment through its implementation of monetary policy, with long-run normal unemployment estimated at 4.4%.

The FED operates monetary policy through open market operations, the federal funds rate and reserve requirements. The FED's targets, when conducting monetary policy, are maximum employment, where all Americans who wish to work are employed, and stable prices for goods and services, as measured through CPI inflation. Entering 2020 the federal funds rate target range was 1% to 0.75%. This has since been lowered to 0% to 0.25% in light of lowered economic activity.

Source: www.federalreserve.gov April 29 2020 press release: FOMC statement and www.federalreserve.gov monetary policy report: February 2020

Alaska

The Alaskan economy is primarily driven by oil and gas, tourism and fishing industries, with nearly 85% of the State's budget supplied by oil revenues. During FY19, oil production generated \$2.7 billion in tax revenue for the state. With such an emphasis of state taxation collections on oil, the world price of oil can have a significant impact on the State's economy. This has been particularly relevant in early 2020 with oil prices facing large declines.

COVID-19 has had significant impacts on employment in the state. Alaska's working-age population is around 500,000, with 70,000 people filing claims for unemployment insurance for the 6 weeks ended 1 May 2020, a significant increase from 5,345 for the same period in 2019. Seasonal employment is significant in Alaska, driven by weather conditions, with activity generally peaking in the summer months of July and August. The restrictions implemented in response to COVID-19 have hampered the employment and training of numerous Alaskan residents, which typically occurs during the months of spring. Whilst unemployment rates in the state remain high, it is expected that the coming months will see many service-sector workers return to work with the re-opening of the economy and lowering of restrictions.

Approximately 86% of year round tourists visit Alaska in the summer, with the majority arriving via cruise ships. This sector of the economy is expected to be significantly impacted due to the restrictions put in place for COVID-19.

Source: www.labor.alaska.gov 2020 Alaska economic trends

Australia

The Australian economy grew at 2% over 2019. The RBA had been predicting growth of approximately 2.75% for 2020, based on low interest rates, lower exchange rates, a rise in mining investment, high levels of spending on infrastructure and an expected recovery in residential construction. However, as a result of the COVID-19 outbreak, this momentum has been significantly disrupted.

COVID-19 has had a significant impact on the Australian economy and financial system, along with creating considerable volatility in financial markets. Equity prices experienced sharp declines and the yield on government bonds reached historic lows in March 2020. Measures taken by the Australian government and the RBA have improved stability in equity and bond markets over recent weeks.

The Government has introduced a comprehensive package of stimulus measures totalling \$320 billion, the first of which was announced on 12 March 2020, when the federal government introduced a \$17.6 billion stimulus package to provide short-term support to the economy.

On 19 March 2020, the RBA announced it would implement a number of measures including:

- lowering the cash rate by a further 25 basis points to 0.25%, along with a commitment to maintain it at this level until progress is made towards full employment and it is confident that mid-term inflation will fall within the 2% to 3% target band;
- a target for the yield on 3-year Australian Government bonds of approximately 0.25%, which will be achieved through the purchases of Government bonds in the secondary market;
- a term funding facility for the banking system, with particular support for credit to small and medium-sized businesses, and a complementary program of support for the non-bank financial sector; and
- exchange settlement balances at the RBA will be remunerated at 10 basis points, rather than zero, which will mitigate the cost to the banking system associated with the large increase in banks' settlement balances at the RBA as a result of the policy actions.

Since the target was introduced, the RBA has purchased around \$50 billion worth of Government bonds in the secondary market. The RBA has now scaled back the size and frequency of purchases, as its target yield has been achieved, but it will continue to monitor the situation and use this as a mechanism to maintain the yield target, which will remain in place until progress is being made towards the goals for full employment and inflation.

Further stimulus measures including the \$130 billion Jobkeeper Payment Scheme were announced on 30 March 2020.

Oil prices have reached some of their lowest levels in 20 years, partially due to reduced demand surrounding COVID-19 and a delayed response by OPEC+ to reduce output. Lower oil prices are generally associated with decreases in headline inflation, transmitted directly through automotive fuel prices and indirectly through costs of production. Whilst lowered oil prices benefit industries which are large consumers of oil, such as transport & logistics, manufacturing and agricultural industries, the impact on the Australian oil and gas extraction industry is negative.

There is considerable uncertainty for the near term outlook of the Australian economy with outcomes depending on the success of efforts to contain the virus as well as the timeframe for social distancing measures currently in place. A large economic contraction is expected for the June quarter and the unemployment rate is expected to increase to its highest level in years.

At its May board meeting, the RBA considered a range of scenarios due to the current economic uncertainty. In its baseline scenario it forecast that output would fall by 10% in the first half of 2020 and by 6% over the year as a whole. Once COVID-19 is contained, the RBA expects the Australian economy to recover and return to an improving trend, with output growth of 6% expected for 2021.

Consumer Price Index ('CPI') inflation was 1.8% over 2019 and underlying inflation slightly lower. This is below the RBA's mid-term target of 2% to 3%. During the March quarter CPI inflation rose to 2.2%, but is expected to turn negative in the June quarter due to the introduction of the free childcare program and the fall in oil prices. Domestic inflationary pressures will depend on the long-term impacts of COVID-19, how fast the economy recovers from weaknesses over the past year and how business and household

expectations of inflation change. The RBA's baseline scenario predicts inflation to fall to between 1% and 1.5% in 2021, before gradually increasing thereafter.

The unemployment rate increased to 5.3% in January 2020 after remaining stable around 5.25% since April 2019. The rate subsequently reduced to 5.2% in February 2020 and remained at this level for the first half of March 2020. Data beyond this date is unavailable however it should be noted that the reference period was prior to the COVID-19 global pandemic being declared, and before the major restrictions were introduced in Australia to contain the spread of the virus. The outbreak of COVID-19 is expected to delay the progress in Australia towards its full employment target, with the RBA's baseline scenario predicting unemployment of approximately 10% in the coming months, before falling to around 7% by year end.

The Australian dollar has been depreciating against the United States Dollar since late 2018, but reached lows not seen since 2002 in early March, before recovering again in early April. The decline in Australian interest rates relative to other advanced economies, along with lower commodity prices have contributed to this depreciation.

Source: www.rba.gov.au Statement by Glenn Stevens, Governor: Monetary Policy Decision 5 May 2020, www.rba.gov.au Statement by Glenn Stevens, Governor: Monetary Policy Decision 7 April 2020, www.rba.gov.au Statement by Glenn Stevens, Governor: Monetary Policy Decision 19 March 2020, www.abs.gov.au Consumer Price Index March 2020

8. Industry analysis

Oil and gas industry

The primary products of the oil and gas industry are crude oil and natural gas, and to a lesser extent, liquefied petroleum gas, coal seam gas and shale oil and gas. Historically, oil and gas have been extracted from "conventional" plays in which the hydrocarbons are trapped by an overlying layer of permeable rock allowing for traditional extraction methods. However, oil and gas can also be found in other geological settings, such as shale formations. Shale oil and gas resources are formed within the organic rich shale source rock. As the low permeability of the shale inhibits the oil and gas from migrating to permeable reservoir rocks, shale oil and gas is often referred as "unconventional" plays or "tight" oil and gas.

Over the last decade, there has been significant growth in unconventional resource development due to breakthroughs in technology, which have resulted in resources located in shale and other tight formations becoming commercially viable.

While the growth, cost and risk profiles of oil and gas industry products may vary, depending on the method and technology necessary for extraction, commodities are generally traded on the same market once extracted. Therefore, the global oil and gas industry is one of the largest in the world, and due to this size is dominated by large, highly integrated companies. The significant capital investment and scale of operations in the industry creates significant barriers of entry.

Historical oil pricing

Supply and demand are the largest factors driving fluctuations in oil prices. This is evident in the volatile price movements which often follow meetings held by the Organisation of the Petroleum Exporting Countries ('OPEC') to determine short-term oil supply. Supply of oil is also largely driven by the price. A higher price encourages production to increase, with producers taking advantage of increased profit margins, whilst lower prices force extraction companies to cut back on production capacity that is no longer viable. The graph below highlights the highly volatile nature of oil prices, represented through

Brent Crude and the West Texas Intermediate ('WTI') benchmarks, particularly relevant following the 2007-08 Global Financial Crisis ('GFC') and outbreak of the COVID-19 in early 2020.



Source: Bloomberg and Consensus Economics

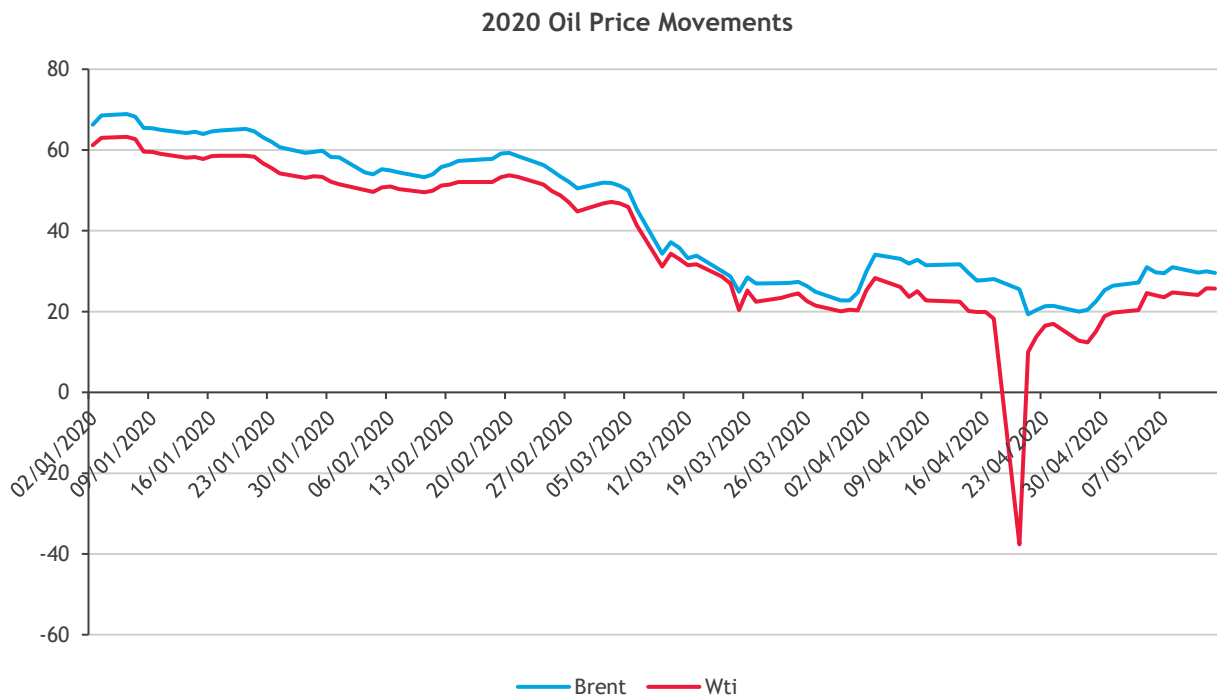
WTI and Brent Crude are the primary benchmarks used for the price of oil. Brent Crude originates from oil fields in the North Sea where as WTI originates from US oil fields, primarily those in Texas, North Dakota and Louisiana. WTI is the preferred pricing benchmark for oil in the US, with the remainder of global oil generally priced using Brent as the benchmark. Over the assessed period, the two benchmarks generally track the same movements, however Brent Crude has consistently remained above WTI. The following analysis refers to \$US/barrel for Brent Crude oil.

Early 2008 saw oil prices spike to a high of US\$140 per barrel causing production to jump. In the six months from June 2008 onwards, the price of oil declined to reach a low of approximately US\$30 per barrel in January 2009. Following the aftermath of the GFC, the oil price experienced a prolonged period in which the average price was US\$100 per barrel, throughout 2011-2014. Over 2014-2016 however, global oversupply saw a dramatic fall in crude oil prices to below US\$50 per barrel. The price has since increased to a high of approximately US\$86 per barrel in October 2018 before moderating over 2019 to trade between US\$54 per barrel to US\$74 per barrel.

The recent outbreak of COVID-19 has had visible effects on oil prices, influenced by both demand and supply factors. This is evident with oil prices falling from US\$65 per barrel in January 2020 to US\$19 in April 2020, including a one-day drop of 24% on 9 March 2020 and 21 April 2020. Demand has been affected not least because 80% of demand growth for crude oil in 2019 came from China, the centre of the COVID-19 outbreak. Containment measures have also resulted in a decline in domestic and international transport, with data suggesting that the fall in transport and industrial activity will negatively affect demand in coming periods. On the supply side, a breakdown in talks between OPEC and Russia prompted Saudi Arabia to launch a price war and further lift production.

On 13 April 2020 OPEC+ announced that producers among the alliance would collectively cut global petroleum output by nearly 10%, effective from 1 May 2020, following the almost 20-year price low. This effort aims to put an end to price wars, however will not be enough to offset the impacts of COVID-19.

Since the Brent oil price low of US\$19.33 on 21 April 2020, the oil price has slightly recovered and has remained around US\$30 between 5 May 2020 and 13 May 2020. The volatility in oil price throughout 2020 is displayed below:



Source: Bloomberg

The pricing benchmarks follow a similar pattern for the majority of 2020, with Brent oil remaining slightly higher than WTI Crude oil. The only significant disparity occurred in April 2020, when WTI fell into negative figures due to the oversupply of oil in the US. This shows the ability for the two benchmarks to differ due to the nature and location of the sale of oil.

Industry Structure

There are two primary kinds of firms operating in the Industry:

- Major oil and gas exploration companies which conduct exploration activities with a view to assessing the viability for developing or expanding existing sites; and
- Pure-play exploration companies and junior miners who are often equity funded and seek to find proven resources to on-sell as projects.

In recent years, new extraction techniques are being commercially deployed internationally to access unconventional and previously unobtainable oil and gas reserves. In response, producers of oil have increased their output to maintain market share, which has collectively put downward pressure on prices and limited the incentives to search for new supply.

A greater portion of the new exploration activity undertaken in the past five years has been directed at gas, rather than oil. This is reflective of a growing global demand for gas, which has lower level of emissions. The adoption of advanced technologies for coal seam gas extraction and deep-water extraction has also expanded the gas reserves available for further exploration.

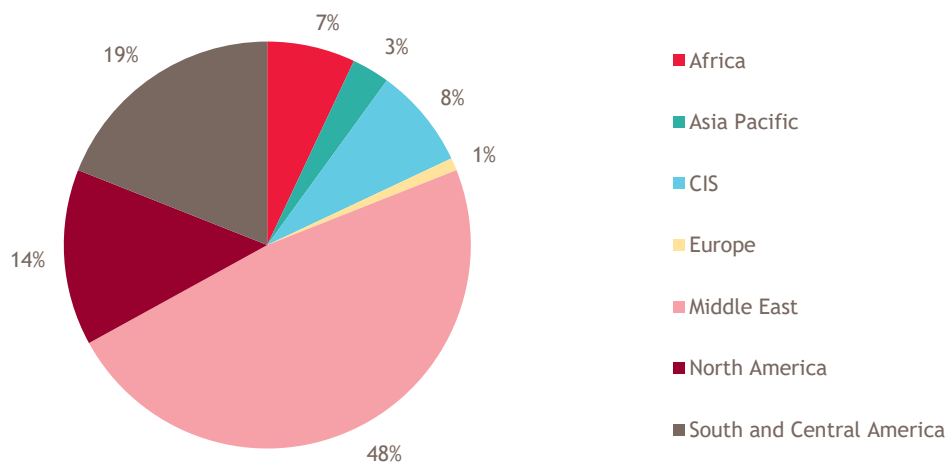
Industry outlook

The immediate outlook for the oil industry will depend on the containment of the COVID-19 virus and the lingering impact that the outbreak will have on economic activity. The International Energy Agency expects global oil demand will fall in 2020, the first full-year decline in over a decade. This is due to the heavy concentration of oil demand growth in China for 2019, the closing of national borders resulting in reduced transportation needs and a reduction in commercial activity due to government restrictions. Consensus economics predicts that prices will begin to recover towards the end of 2020 as countries unwind restrictions.

Given the eventual containment and return to normal levels of supply and demand, the world production of oil is expected to increase slightly by 0.9% over the next five years to 2025. Political unrest may have a slight negative effect on this growth rate however increases in production are expected from a number of countries including Brazil, Canada, Norway and Guyana, which is ultimately expected to cause the upward trend. Oil prices are expected to remain low due to expected increases in supply. This continued low pricing will likely see a number of companies halt production. However, due to the nature of the industry, the timing of production quotas are difficult to predict, and changes could alter world production volumes and prices significantly. Our analysis of consensus forecasts for Brent crude oil before and after the steep drop in oil prices showed that while there has been a clear downward revision in near to medium term forecasts, the long term oil price forecast (from 2025 to 2029) remained relatively stable around US\$68/barrel.

Crude oil reserves

At the end of 2018, total proved global oil reserves stood at approximately 1,730 billion barrels according to the 2019 BP Statistical Review of World Energy. This compares to reserves of approximately 1,494 billion barrels at the end of 2008, representing a 16% increase over the decade. The geographic distribution of these reserves is set out in the chart below.



Source: 2019 BP Statistical Review of World Energy

The majority of oil reserves are centred in the Middle East, with Central and South America also accounting for a significant proportion. Proven oil reserves have increased considerably in South and Central America, from 196 billion barrels at the end of 2008 to 325 billion barrels at the end of 2018.

Venezuela has the highest amount of proved reserves as of 2018 totalling approximately 303 billion barrels and account for 17.5% of global reserves. They are followed by Saudi Arabia with 298 billion barrels (17.2%) and Canada with 168 billion barrels (9.7%).

The global reserve to production ratio ('R/P ratio') shows that oil reserves of 2018 accounted for 50 years of current production. By region, South and Central America have the highest R/P ratio of 136 years with the lowest being Europe with 11 years.

Source: US Energy Information Administration

US and Alaskan oil and gas

As of 2018 the United States ('US') has proved crude oil reserves of 61.2 billion barrels. The US is the largest producer of oil in North America with a total production of approximately 15,311 thousand barrels per day in 2018, an increase of 16.6% from 13,135 thousand barrels per day in 2017. Over the past 10 years the country has seen an average growth in production per annum of 6.7%. The US consumes approximately 5,810 thousand barrels per day and is a net exporter of oil.

As of 2018, the US is the largest producer of natural gas in the world, producing 4,349 thousand barrels per day. This is an increase of 15%, from 3,783 barrels per day in 2017. Over the past 10 year the country has seen an average growth in gas production per annum of 7.8%.

The Alaskan oil and gas industry commenced operations in 1959, with the discovery of the Swanson River oil field on the Kenai Peninsula and has since expanded to account for 4% of US production and 0.6% of total world production, as of 2018. The industry supports approximately one-third of all Alaskan jobs, with oil and gas representing Alaska's largest non-governmental sector. The state's waters are believed to contain more than 30% of the US's recoverable offshore oil resource.

The industry has produced more than 17 billion barrels of oil and 13 billion cubic feet of natural gas. North Slope production, one of the largest areas of oil production and exploration, has increased by an average of 1.4% per year since 2015. The Trans-Alaska Pipeline System ('TAPS'), is one of the major pieces of infrastructure in place to support the industry and is currently operating at one-third of its capacity.

Sources: US Energy Information Administration, 2019 BP Statistical Review of World Energy, Alaska Oil and Gas Association

9. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('FME')
- Discounted cash flow ('DCF')
- Quoted market price basis ('QMP')
- Net asset value ('NAV')
- Market based assessment

A summary of each of these methodologies is outlined in Appendix 2.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information.

9.1 Valuation of an XCD share prior to the Shareholder Offer

In our assessment of the value of XCD shares we have chosen to employ the following methodologies:

- NAV on a going concern basis as our primary valuation methodology; and
- QMP as our secondary methodology as this represents the value that a shareholder can receive for a share if sold on the market.

We have chosen these methodologies for the following reasons:

- XCD's Project Peregrine does not currently generate any income, nor are there any historical profits that could be used to represent future earnings, so the FME approach is not appropriate;
- XCD currently has no foreseeable net cash inflows, so the application of the DCF valuation approach is not appropriate;
- Consequently, we have adopted the NAV approach as our primary valuation method. XCD's primary asset, Project Peregrine, is not a producing asset and no revenue or cash flows are currently generated by this asset and therefore we consider that the NAV approach is best suited for the valuation; and
- We have adopted QMP as our secondary approach. The QMP basis is a relevant methodology to consider because XCD's shares are listed on the ASX. This means there is a regulated and observable market where XCD shares can be traded. However, in order for the QMP methodology to be considered appropriate, the Company's shares should be liquid and the market should be fully informed of the Company's activities.

Independent specialist valuation

In valuing XCD's Project Peregrine as part of our NAV valuation, we have relied on the independent specialist valuation performed by RISC Advisory Pty Ltd ('RISC'). We are satisfied with the valuation methodologies adopted by RISC which we believe are in accordance with industry practice and compliant with the requirements of the Valmin Code. A copy of RISC's valuation report is attached in Appendix 3.

9.2 Valuation of an XCD listed option prior to the Option Holder Offer

In our assessment of the value of XCD listed options, we have chosen to employ the following methodologies:

- Black Scholes option pricing model as our primary methodology; and

- QMP of XCD listed options as a cross-check to our primary valuation methodology.

We have chosen these methodologies for the following reasons:

- The Black Scholes option pricing model is a widely accepted valuation methodology for calculating the value of options with non-market vesting conditions. As XCD listed options have no vesting conditions, we consider this an appropriate valuation methodology; and
- XCD listed options trade on the ASX, meaning there is a regulated and observable market on which the listed options can be traded. The market price of the listed options therefore represents the value a listed option holder would receive if they were to sell the listed options on the market. We note that for the QMP methodology to be considered appropriate, XCD's listed options should be liquid and the market fully informed of its activities. We have considered these factors in section 11 of Our Report.

9.3 Valuation of 88E shares offered as consideration for the Offers

Under the Shareholder Offer, the consideration offered for every share held in XCD is 2.4 shares in 88E. Under the Option Holder Offer, the consideration offered for every listed option held in XCD is 0.7 shares in 88E.

When assessing non-cash consideration in control transactions, RG 111.31 suggests that a comparison should be made between the value of the securities being offered (allowing for a minority discount) and the value of the target entity's securities, assuming 100% of the securities are available for sale. This comparison reflects the fact that:

- (a) the acquirer is obtaining or increasing control of the target; and
- (b) the security holders in the target will be receiving scrip constituting minority interests in the combined entity.

Under RG 111.34 it is noted that if, in a scrip bid, the target is likely to become a controlled entity of the bidder, the bidder's securities can also be valued using a notionally combined entity. However, it should still be noted that the accepting holders are likely to hold minority interests in that combined entity. If the takeover Offers are successful, XCD is to become a controlled entity of 88E. Shareholders will hold approximately 20% of the issued shares in 88E, representing a minority interest.

Therefore, in our assessment of the value of consideration for the Shareholder Offer and Option Holder Offer, we have considered the value of 2.4 and 0.7 shares in 88E, respectively, on a minority basis.

In our assessment of the value of the shares to be issued in 88E, we have chosen to employ the following methodologies:

- QMP of 88E following the announcement of the Offers as our primary approach, as this represents the value, on a minority basis, that a Shareholder can receive for a share in the 88E if sold on the market.

We have chosen this methodology for the following reasons:

- The value of 88E shares following the announcement of the Offers effectively represents the value of a share in the combined XCD and 88E entity, assuming the Offers are successful. We consider the QMP methodology to be relevant given 88E shares are listed on the ASX and AIM, which represent regulated and observable markets where the shares can be traded. In order for the QMP

methodology to be considered appropriate, the company's shares should be liquid and the market should be fully informed as to its activities. RG 111.32 suggests that if we use the quoted market price of securities to value the offered consideration, then we must consider and comment on:

- the depth of the market for those securities;
 - the volatility of the market price; and
 - whether or not the market value is likely to represent the value if the takeover bid is successful.
- We have not had access to the internal records or management of 88E to enable a valuation of 88E shares using an alternative methodology.

We have considered these factors in section 12 of our Report.

10. Valuation of XCD Shares

10.1 Net Asset Valuation of XCD

The value of XCD assets on a going concern basis is reflected in our valuation below:

NAV	Notes	Reviewed as at 31-Dec-19 \$	Low Valuation \$	Preferred Valuation \$	High Valuation \$
CURRENT ASSETS					
Cash and cash equivalents	1	2,743,128	1,161,487	1,161,487	1,161,487
Trade and other receivables		148,199	148,199	148,199	148,199
TOTAL CURRENT ASSETS		2,891,327	1,309,686	1,309,686	1,309,686
NON-CURRENT ASSETS					
Plant and equipment		14,715	14,715	14,715	14,715
Right of use asset	2	51,361	-	-	-
Deferred exploration expenditure	3	4,211,737	4,590,000	14,688,000	22,644,000
Other receivables		427,792	427,792	427,792	427,792
TOTAL NON-CURRENT ASSETS		4,705,605	5,032,507	15,130,507	23,086,507
TOTAL ASSETS		7,596,932	6,342,193	16,440,193	24,396,193
CURRENT LIABILITIES					
Trade and other payables	4	205,159	581,002	581,002	581,002
Lease liabilities	2	20,731	-	-	-
Provisions		24,969	24,969	24,969	24,969
TOTAL CURRENT LIABILITIES		250,859	605,971	605,971	605,971
NON-CURRENT LIABILITIES					
Lease liabilities	2	33,829	-	-	-
TOTAL NON-CURRENT LIABILITIES		33,829	-	-	-
TOTAL LIABILITIES		284,688	605,971	605,971	605,971
NET ASSETS		7,312,244	5,736,222	15,834,222	23,790,222
Shares on issue (number)	5		699,728,934	699,728,934	699,728,934
Value per share (\$)			0.008	0.023	0.034

Source: BDO analysis

We have been advised that there has not been a significant change in the net assets of XCD since 31 December 2019, other than those outlined below. We have assumed that the fair market value of the assets and liabilities as at 31 December 2019 is equal to the carrying value as set out in the table above.

The table above indicates the net asset value of a XCD share is between \$0.008 and \$0.034, with a preferred value of \$0.023.

The following adjustments were made to the net assets of XCD as at 31 December 2019 in arriving at our valuation.

Note 1: Cash and cash equivalents

We have adjusted the cash and cash equivalents of XCD as at 31 December 2019, to account for the movements during the four months ended 30 April 2020. The adjusted cash and cash equivalents is set out in the table below:

Adjusted cash and cash equivalents as at 30 April 2020		\$
Cash and cash equivalents at 31 December 2019		2,743,128
Add: Interest received		3,955
Add: Tax rebate received		21,216
Less: Payments to suppliers		(224,740)
Less: Capitalised exploration expenditure and capitalised 2020 lease rentals		(1,101,360)
Less: Balance paid on additional four 2020 lease acquisition		(296,557)
Add: Exchange rate movements		15,845
Adjusted cash and cash equivalents		1,161,487

Source: XCD's reviewed financial statements for the half year ended 31 December 2020, and cash flow analysis prepared by XCD management for the four months ended 30 April 2020.

Note 2: Right of Use Asset and Lease Liabilities

We have removed the Right of Use asset, as we do not consider this to be an asset that the Company could realise as part of an orderly sales process. We have also removed the corresponding current and non-current operating lease liabilities.

Note 3: Deferred exploration expenditure

Valuation of Project Peregrine

We instructed RISC to provide an independent market valuation of the exploration assets held by XCD. RISC considered a number of different valuation methods when valuing the exploration assets of XCD.

RISC adopted the following methodologies to value Project Peregrine:

- Farm-in promotion factors from comparable transactions; and
- Dollar per acre from comparable transactions.

We consider these methods to be appropriate. RISC's report is provided in Appendix 3 to our Report.

RISC Consider the valuation from farm-in promotion factors to be the most appropriate method to value the project

The range of values for Project Peregrine (on a 100% basis) as calculated by RISC is set out below:

Project Peregrine	Low Value	Preferred Value	High Value
Project Peregrine valuation using farm-in promotion factors (US\$)	3,000,000	9,600,000	14,800,000
USD:AUD closing spot rate at 19 May 2020	1.53	1.53	1.53
Project Peregrine valuation using farm-in promotion factors (A\$)	4,590,000	14,688,000	22,644,000

Source: RISC, Bloomberg

The table above indicates a range of values between \$4.59 million and \$22.64 million, with a preferred value of \$14.69 million.

Note 4: Trade Payables

We have adjusted the trade and other payables of XCD as at 31 December 2019, to account for the accrued expenses to 30 April 2020. These expenses include costs associated with the Offers.

Note 5: Shares on issue

We have not adjusted the current number of shares on issue in XCD for the exercise of the listed or unlisted options, as we consider these to be out of the money based on our assessed quoted market prices for XCD securities in section 10.2.

We have also not adjusted for the exercise of the 20,000,000 performance rights, held by XCD Managing Director Dougal Ferguson, we note that:

- 10,000,000 of these performance rights vest based on non-market performance conditions (see section 5.4 for further details). As at the date of this Report these performance rights have not vested, and we are unable to determine the probability of these vesting.
- 10,000,000 of these performance rights vest based on specified market conditions (see section 5.4 for further details). Based on our assessed quoted market prices for XCD securities (section 10.2), we consider it to be unlikely that these will vest.

10.2 Quoted Market Prices for XCD Securities

To provide a comparison to the valuation of XCD in Section 10.1, we have also assessed the quoted market price for an XCD share.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

- control over decision making and strategic direction;
- access to underlying cash flows;
- control over dividend policies; and
- access to potential tax losses.

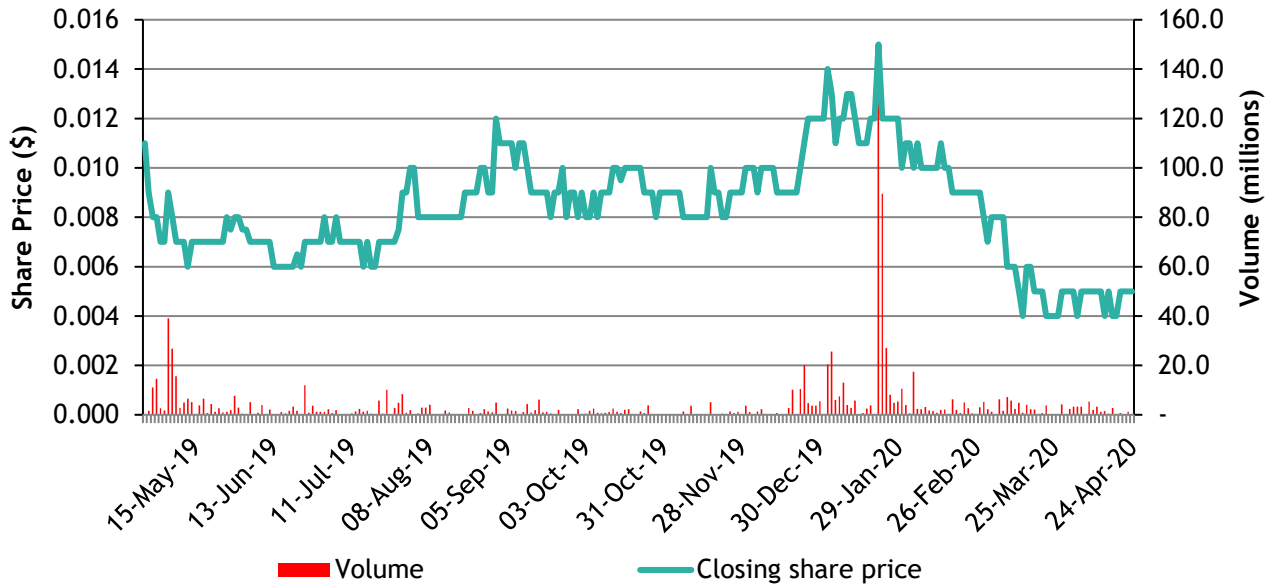
Therefore, our calculation of the quoted market price of an XCD share, including a premium for control has been prepared in two parts. The first part is to calculate the quoted market price on a minority interest basis. The second part is to add a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

Minority interest value

Our analysis of the quoted market price of an XCD share is based on the pricing prior to the announcement of the Offers. This is because the value of an XCD share after the announcement may include the effects of any change in value as a result of the Offers. However, we have considered the value of an XCD share following the announcement when we have considered reasonableness in Section 13.

Information on the Offers was first announced to the market on 27 April 2020. Therefore, the following chart provides a summary of the share price movement over the 12 months to 24 April 2020, which was the last trading day prior to the announcement.

XCD share price and trading volume history



Source: Bloomberg

The daily price of XCD shares from 25 April 2019 to 24 April 2020 has ranged from a low of \$0.004, on various dates in March 2020 and April 2020, to a high of \$0.016 on 22 January 2020. The daily volume of shares traded fluctuated largely over the year. The highest single day of trading over the assessed period was 21 January 2020, when 143.86 million shares were traded, followed by 22 January 2020, when 89.56 million shares were traded. Over the assessed period no trades took place on 36 out of the 254 trading days, or 14.17% of trading days.

During this period a number of announcements were made to the market. The key announcements are set out below:

Date	Announcement	Closing Share Price Following Announcement		Closing Share Price Three Days After Announcement	
		\$ (movement)	% (movement)	\$ (movement)	% (movement)
09/04/2020	Quarterly Activities Report	0.005	▶ 0.0%	0.005	▶ 0.0%
09/04/2020	Quarterly Cashflow Report	0.005	▶ 0.0%	0.005	▶ 0.0%
05/02/2020	Prospectus - Listed Options	0.011	▲ 10.0%	0.010	▼ 9.1%
03/02/2020	Quarterly Activities Report	0.011	▶ 0.0%	0.010	▼ 9.1%
03/02/2020	Quarterly Cashflow Report	0.011	▶ 0.0%	0.010	▼ 9.1%
21/01/2020	1.6 Billion bbls Of Prospective Resource	0.015	▲ 25.0%	0.012	▼ 20.0%

Date	Announcement	Closing Share Price Following Announcement			Closing Share Price Three Days After Announcement		
		\$	(movement)	%	\$	(movement)	%
20/01/2020	Trading Halt	0.012	▶	0.0%	0.012	▶	0.0%
16/12/2019	Additional Alaskan Leases Secured	0.009	▶	0.0%	0.010	▲	11.1%
12/12/2019	Trading Halt	0.009	▶	0.0%	0.009	▶	0.0%
31/10/2019	Quarterly Activities Report	0.009	▶	0.0%	0.009	▶	0.0%
31/10/2019	Quarterly Cashflow Report	0.009	▶	0.0%	0.009	▶	0.0%
23/10/2019	Successful Capital Raise Of \$2m	0.010	▶	0.0%	0.009	▼	10.0%
21/10/2019	Trading Halt	0.010	▶	0.0%	0.009	▼	10.0%
09/10/2019	Alaska Operations Update	0.009	▲	13.0%	0.010	▲	11.0%
10/09/2019	Initial Nanushuk Lead Mapped	0.011	▲	10.0%	0.009	▼	18.0%
31/07/2019	Quarterly Activities Report	0.009	▶	0.0%	0.008	▼	11.0%
31/07/2019	Quarterly Cashflow Report	0.009	▶	0.0%	0.008	▼	11.0%
23/05/2019	Alaskan Reprocessing Project Commenced	0.007	▶	0.0%	0.008	▲	7.0%
30/04/2019	Quarterly Activities Report	0.008	▼	11.0%	0.007	▼	13.0%
30/04/2019	Quarterly Cashflow Report	0.008	▼	11.0%	0.007	▼	13.0%

Source: Bloomberg, BDO analysis

On 5 February 2020 XCD released a prospectus outlining an offer of up to 17,500,000 broker options, exercisable at \$0.02 on or before 30 November 2022. On the date of the announcement XCD's share price increased by 10%, to close at \$0.011, before decreasing by 9% over the subsequent three day trading period to close at \$0.010.

On 3 February 2020 XCD released their quarterly activities and cash flow reports for the December 2019 quarter, outlining the completion of a \$2.00 million capital raise, successful bids for four additional leases and increased drilling activity on the Alaskan North Slope by other oil and gas companies. On the date of the announcements XCD's share price remained unchanged at \$0.011, before decreasing by 9.1% over the subsequent three day trading period to close at \$0.010.

On 21 January 2020 XCD released the outcomes from its Independent Prospective Resource Report for Project Peregrine. Project Peregrine was estimated to contain an unrisks recoverable oil resource in excess of 1.6 billion barrels of oil. On the date of the announcement XCD's share price increased by 25%, to close at \$0.015, before decreasing by 20% over the subsequent three day trading period to close at \$0.012.

On 16 December 2019 XCD announced that it had been successful in securing an additional 4 leases on the North Slope of Alaska. The leases totalled 45,783 acres and complement the existing leases held by the Company. On the date of the announcement XCD's share price remained unchanged at \$0.009, before increasing by 11% over the subsequent three day trading period to close at \$0.010.

On 23 October 2019 XCD announced that it had received commitments to raise \$2.00 million (before costs) by the way of a two tranche placement. On the date of the announcement XCD's share price remained

unchanged at \$0.010 before decreasing by 10% over the subsequent three day trading period to close at \$0.009.

On 9 October 2019 XCD released an operations update regarding the completion of the ground survey covering Project Peregrine within the summer weather window. The update also stated that the INTRO Project was nearing completion and that the Company had commissioned an Independent Prospective Resource Report. On the date of the announcement XCD's share price increased by 13% to close at \$0.009, before increasing by 11% over the subsequent three day trading period to close at \$0.010.

On 10 September 2019 XCD released an announcement outlining the initial mapping of the Nanushuk lead, which forms part of Project Peregrine. The best estimate of net recoverable oil from the lead was outlined as 255 million barrels. The chance of development was assessed as 50%. On the date of the announcement XCD's share price increased by 10%, to close at \$0.011, before decreasing by 18% over the subsequent three day trading period to close at \$0.009.

On 31 July 2019 XCD released their quarterly cash flow and activities reports for the June quarter 2019, outlining the initiation of the INTRO project and the completion of the reprocessing of 600kms worth of 2D seismic data. On the date of the announcements XCD's share price remained unchanged at \$0.009, before decreasing by 11% over the subsequent three day trading period to close at \$0.008.

On 23 May 2019 XCD announced the initiation of the Alaskan reprocessing project. This would include the reprocessing of approximately 600kms worth of 2D seismic data. On the date of the announcement XCD's share price remained unchanged at \$0.007, before increasing by 7% over the subsequent three day trading period to close at \$0.008.

On 30 April 2019 XCD released quarterly cash flow and activities reports for the March quarter 2019, outlining the exercise of its option with Elixir Petroleum Limited to acquire Emerald House LLC during the quarter. The report stated that, subsequent to the end of the quarter, the acquisition was completed through the issue of 185 million shares and the payment of US\$1.35 million. The Emerald leases, forming part of Project Peregrine, were interpreted to be on the same oil trend as the Willow Project, owned by ConocoPhillips, approximately 30 miles north of Project Peregrine. On the date of the announcements XCD's share price decreased by 11% to close at \$0.008 before decreasing by a further 13% over the subsequent three day trading period to close at \$0.007.

To provide further analysis of the market prices for an XCD share, we have also considered the weighted average market price for the 10, 30, 60 and 90 day periods (ASX trading days) to 24 April 2020.

Share Price per unit	24-Apr-20	10 Days	30 Days	60 Days	90 Days
Closing price	\$0.005				
Volume weighted average price		\$0.005	\$0.005	\$0.008	\$0.012

Source: Bloomberg, BDO analysis

The above weighted average prices are prior to the date of the announcement of the Offers, to avoid the influence of any increase in the price of XCD shares that has occurred since the Offers were announced.

An analysis of the volume of trading in XCD shares for the twelve months to 24 April 2020 is set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	\$0.005	\$0.005	-	0.00%

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
10 Days	\$0.004	\$0.005	11,226,223	1.60%
30 Days	\$0.004	\$0.006	53,629,753	7.66%
60 Days	\$0.004	\$0.012	154,857,971	22.13%
90 Days	\$0.004	\$0.016	586,986,888	83.89%
180 Days	\$0.004	\$0.016	680,009,418	97.18%
1 Year	\$0.000	\$0.016	945,232,959	135.09%

Source: Bloomberg, BDO analysis

This table indicates that XCD's shares display a high level of liquidity, with approximately 97% of the Company's current issued capital being traded in a 180 day period. RG 111.69 states that for the quoted market price methodology to be an appropriate methodology there needs to be a 'liquid and active' market in the shares and allowing for the fact that the quoted price may not reflect their value should 100% of the securities not be available for sale. We consider the following characteristics to be representative of a liquid and active market:

- Regular trading in a company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'liquid and active', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of XCD, we consider the shares to display a high level of liquidity. Over the assessed period the Company's shares were traded on a regular basis, however 36 days out of the 254 trading days saw no trades made.

Our assessment is that a range of values for XCD shares based on market pricing, after disregarding post announcement pricing, is between \$0.005 and \$0.008.

Control Premium

The quoted market price per share reflects the value to minority interest shareholders. In order to value an XCD share on a control basis, we have added a control premium that is based on our analysis set out below.

We have reviewed control premiums on completed transactions, paid by acquirers of both oil and gas companies and all ASX-listed companies. In assessing the appropriate sample of transactions from which to determine an appropriate control premium, we have excluded transactions where an acquirer obtained a controlling interest (20% and above) at a discount (i.e. less than a 0% premium). We have summarised our findings below:

Oil and Gas Companies

Year	Number of Transactions	Average Deal Value (AU\$m)	Average Control Premium (%)
2020	2	4.48	9.65
2019	2	347.99	33.40
2018	2	570.19	16.58
2017	2	6.11	100.03
2016	2	185.70	22.77
2015	4	111.40	14.60
2014	4	684.20	64.78
2013	3	65.82	31.02
2012	3	180.88	43.00
2011	5	252.42	29.78
2010	3	1265.25	56.89

Source: Bloomberg, BDO analysis

All ASX Companies

Year	Number of Transactions	Average Deal Value (AU\$m)	Average Control Premium (%)
2020	6	618.94	42.69
2019	44	3,095.32	38.79
2018	44	1,126.69	41.66
2017	29	973.72	43.33
2016	42	718.51	49.58
2015	34	828.14	34.10
2014	46	507.34	39.97
2013	41	128.21	50.99
2012	51	481.33	52.19
2011	68	891.85	44.43
2010	54	567.72	43.63

Source: Bloomberg, BDO analysis

We have reviewed the control premiums paid by acquirers of companies listed on the ASX. We have summarised our findings below:

Entire Data Set Metrics	Oil and gas companies		All ASX listed companies	
	Average Deal Value (AU\$m)	Average Control Premium (%)	Average Deal Value (AU\$m)	Average Control Premium (%)
Mean	350.29	38.25	913.95	44.14
Median	69.07	32.84	120.19	34.66

Source: Bloomberg, BDO analysis

In arriving at an appropriate control premium to apply, we note that observed control premiums can vary due to the:

- Nature and magnitude of non-operating assets;

- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;
- Ability to integrate the acquiree into the acquirer’s business;
- Level of pre-announcement speculation of the transaction;
- Level of liquidity in the trade of the acquiree’s securities.

When performing our control premium analysis, we considered completed transactions where the acquirer held a controlling interest, defined at 20% or above, pre transaction or proceeded to hold a controlling interest post transaction in the target company.

The table above indicates that the long-term average control premium paid by acquires of oil and gas and all ASX listed companies is approximately 38.25% and 44.14% respectively. However, in assessing the transactions included in the table, we noted transactions that appear to be extreme outliers. These outliers included one oil and gas transaction and 32 ASX listed company transactions, for which the announced premium was in excess of 100%. We consider these transactions as outliers, as it is likely that the acquirer in these transactions would be paying for special value and/or synergies in excess of the standard premium for control. Whereas, the purpose of this analysis is to assess the premium that is likely to be paid for control, not specific strategic value to the acquirer.

In a population where there are extreme outliers, the median often represents a superior measure of central tendency compared to the mean. We note that the median announced control premium over the assessed period was approximately 32.84% for oil and gas companies and 34.66% for all ASX listed companies.

Based on the above analysis, we consider an appropriate premium for control to be between 25% and 35%.

Quoted market price including control premium

Applying a control premium to XCD’s quoted market share price results in the following quoted market price value including a premium for control:

	Low \$	High \$
Quoted market price value	0.005	0.008
Control premium	25%	35%
Quoted market price valuation including a premium for control (rounded)	0.006	0.011

Source: BDO analysis

Therefore, our valuation of an XCD share based on the quoted market price method and including a premium for control is between \$0.006 and \$0.011.

10.3 Assessment of the value of an XCD share prior to the Offers

The results of the valuations performed are summarised in the table below:

	Low	High
	\$	\$
Net assets value (Section 10.1)	0.008	0.034
Quoted market price (Section 10.2)	0.006	0.011

Source: BDO analysis

We note that the valuation range for an XCD share on a controlling basis derived from our NAV, is greater than the valuation range derived from our QMP analysis, although the ranges do overlap. The difference between our NAV and QMP valuation may be explained by the following:

Our NAV includes an independent valuation of the Company's Project Peregrine, performed by RISC. We note that investors may take a more conservative view to that of the valuation specialists in relation to the inputs adopted, valuation methodologies used and ultimately their assessment of the value of Project Peregrine. The market value of Project Peregrine may not be reflected in the Company's QMP.

Based on the results above we consider the value of an XCD share to be between \$0.008 and \$0.034, with a preferred value of \$0.023.

11. Valuation of an XCD listed option

The terms of the listed options in XCD are as follows:

Item	
Number of listed options	117,450,000
Exercise price	\$0.020
Expiry date	30-Nov-22
Time to expiry (years)	2.60
Exercise conditions	Nil

11.1 Option valuation of an XCD listed option prior to the Offers

We have used the Black Scholes option pricing model to calculate the value of XCD's listed options.

In valuing the listed options, we made the following assumptions regarding the inputs required for the option pricing model:

Value of the Underlying Shares

Based on our assessment of the value of an XCD share in section 10.2, we have used the low and high values of \$0.006 and \$0.011 per share, which represent the value of an XCD share on a quoted market basis and a control basis, as the value of the underlying share to obtain the low and high values for the listed options.

Exercise Price

The exercise price is the price at which the underlying ordinary shares will be issued. The exercise price of XCD listed options is \$0.020.

Life of the Options

We have estimated the life of the Options for the purpose of our valuation. The minimum life of the Options is the length of any vesting period. The maximum life is based on the expiry date, which is approximately 2.60 years from the date of valuation.

Under AASB 2 "Share Based Payments", the expected life of the Options needs to reflect the potential for early exercise. The potential for early exercise tends to reduce the effective life, and consequently the value of options.

With consideration for this, there are many factors that determine the rationale for exercising options and therefore, the effective life of those options.

There is a limited track record of unlisted options being exercised early. Generally, early exercise occurs:

- if the options are deep in the money as it is profitable for the holder of the option to exercise the options;
- if the stock pays a dividend as the opportunity cost of holding the option is high;
- if the volatility of the underlying share price is low as the probability of the options becoming deeper in the money is low relative to a highly volatile stock; and

- when the options are held by junior level employees. Senior employees are more likely to continue their employment with the company and therefore there is no incentive to exercise their options.

For the purpose of valuing the Options we have estimated an exercise date as the expiry date giving effective lives for the Options of 2.60 years, which we have input into the Black Scholes option pricing model.

Expected Volatility of the Share Price

Expected volatility is a measure of the amount by which a price is expected to fluctuate during a period. The measure of volatility used in option pricing models is the annualised standard deviation of the continuously compounded rates of return on the share over time.

Many techniques can be applied in determining volatility, with a summary of the methods we use below:

- The square root of the mean of the squared deviations of closing prices from a sample. This can be calculated using a combination of the opening, high, low, and closing share prices each day the underlying security trades for all days in the sample time period chosen
- The exponential weighted moving average model adopts the closing share price of the Company in a given time period. The model estimates a smoothing constant using the maximum likelihood method, which estimates volatility assuming that volatility is not a constant measure and is predicted to change in the future
- The generalised autoregressive conditional heteroscedasticity model. This model takes into account periods of time where volatility may be higher than normal and/or lower than normal, as well as the tendency for the volatility to run at its long run average level after such periods of abnormality. The model will calculate the rate at which this is likely to occur from the sample of prices thereby enabling estimates of future volatility by time to be made.

The recent volatility of the share price of XCD was calculated over one, two and three year periods prior to the announcement of the Offers, using data extracted from Bloomberg. On this basis, we used a future estimated volatility level of 125% for XCD in our pricing model.

Risk-free Rate of Interest

We have used the Australian Government 3-year bond rate of 0.27% as at 24 April 2020 as an input to our option pricing model.

Dividends Expected on the Options

XCD is currently unlikely to pay a dividend during the life of the Options. Therefore, we have assumed a dividend yield of nil.

Conclusion

We have set out our conclusions as to the value of the XCD listed options below.

Item	Low	High
Underlying closing share price	\$0.006	\$0.011
Exercise price	\$0.020	\$0.020

Item	Low	High
Expiry date	30-Nov-22	30-Nov-22
Time to expiry (years)	2.60	2.60
Volatility	125%	125%
Risk-free rate	0.27%	0.27%
Number of listed options	117,450,000	117,450,000
Valuation per listed option	\$0.003	\$0.006

The above pricing indicated that the value of an XCD listed option prior to the announcement is in the range of \$0.003 to \$0.006.

11.2 Quoted Market Price of an XCD listed option prior to the Offers

To provide a comparison to the valuation of XCD listed options in Section 11.1, we have also performed an analysis of the market price for an XCD listed option.

The quoted market value of a company's securities is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

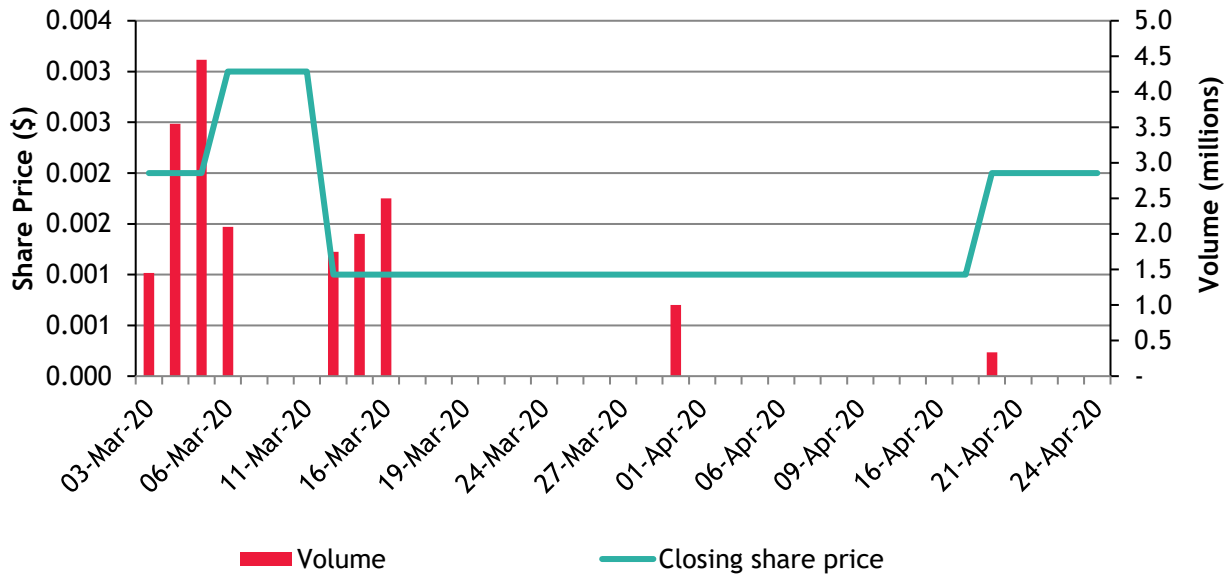
RG 111.11 suggests that when considering the value of a company's securities the expert should consider a premium for control. Therefore, our calculation of the quoted market price of an XCD listed option, including a premium for control, has been prepared in two parts. The first part is to calculate the quoted market price on a minority interest basis. The second part is to add a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

Minority interest value

Our analysis of the quoted market price of an XCD listed option is based on the pricing prior to the announcement of the Offers. This is because the value of an XCD listed option after the announcement may effectively reflect the markets' view of the value per listed option that a listed Option Holder will receive as consideration if the Option Holder Offer is accepted.

Information on the Offers was initially announced to the market on 27 April 2020. The following analysis therefore provides a summary of the listed option price movements over the period from 24 February 2020, the day the options were listed, to 24 April 2020, being the last trading day prior to the announcement. We note that the options were listed on 24 February 2020, however the first ASX trade did not occur until 3 March 2020. We have therefore used 3 March 2020 as the beginning date for our analysis below.

XCD listed option price and trading volume history



Source: BDO analysis

The daily price of XCD listed options from 3 March 2020 to 24 April 2020 ranged from a low of \$0.001 between 12 March 2020 and 17 April 2020, to a high of \$0.003, on 6 March 2020 to 11 March 2020. The highest single day of trading was 5 March 2020, when 4,450,000 listed options were traded, followed by 4 March 2020, when 3,550,000 listed options were traded.

To provide further analysis of the market prices for an XCD listed option, we have also considered the weighted average market price for 10, 30 and 60 day periods to 24 April 2020.

Share Price per unit	24-Apr-20	10 Days	30 Days	37 Days
Closing price	\$0.002			
Volume weighted average price (VWAP)		\$0.002	\$0.001	\$0.002

Source: Bloomberg, BDO analysis

The above weighted average prices are prior to the date of the announcement of the Offers, to avoid the influence of any change in the price of XCD listed options that has occurred since the Offers were announced.

An analysis of the volume of trading in XCD listed options for the period from 3 March 2020 to 24 April 2020 is set out below.

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of listed options
1 Day	\$0.002	\$0.002	-	0.00%
10 Days	\$0.001	\$0.002	333,333	0.28%
30 Days	\$0.001	\$0.002	7,583,333	6.46%
37 Days	\$0.001	\$0.003	19,133,333	16.29%

Source: Bloomberg, BDO analysis

This table indicates that XCD listed options display a moderate to high level of liquidity, with 16.29% of the Company’s current listed options being traded in the 37-day period prior to the announcement of the Offers. Given the short period in which the listed options were listed prior to the announcement of the Offers, there is not enough trading data to determine whether there is a ‘liquid and active’ market for XCD listed options in accordance with RG 111.69, and as such, do not consider it appropriate to rely on the QMP methodology in valuing XCD listed options.

Control premium

In section 10.2 we performed an analysis of historic control premiums paid by acquirers of companies listed on the ASX over a 10 year period. Based on this analysis, we consider an appropriate premium for control to be between 25% and 35%.

Quoted market price including control premium

Applying the above control premium to XCD’s quoted market share price results in the following quoted market price value including a premium for control:

	Low	High
	\$	\$
Quoted market price value	0.001	0.002
Control premium	25%	35%
Quoted market price including premium for control	0.001	0.003

Source: BDO analysis

Therefore, our valuation of an XCD listed option based on the quoted market price method and including a premium for control is between \$0.001 and \$0.003.

11.3 Assessment of the value of an XCD listed option prior to the Offers

	Ref	Low \$	High \$
Value of an XCD listed option (Black Scholes)	11.1	0.003	0.006
Value of an XCD listed options (QMP)	11.2	0.001	0.003

Source: BDO Analysis

Based on the results above we consider the value of an XCD listed option prior to the announced takeover bid to be between \$0.003 and \$0.006. We consider the Black Scholes option pricing model to be the most appropriate methodology to value the listed options, as this represents the fair value of the listed options. We note that:

As discussed in section 11.2, we do not consider there to be sufficient data on which to form a view on whether there is a ‘liquid and active’ market for XCD listed options trading on the ASX, therefore we do not consider it appropriate to rely on the QMP valuation methodology.

12. Valuation of 88E shares

12.1 Quoted Market Prices for 88E Shares

As our primary methodology for valuing the 88E shares offered as consideration under the Offers, we have assessed the quoted market price of an 88E share. As noted in section 9.3, we consider the value of an 88E share following the announcement of the Offers to be an accurate reflection of the value of the consideration offered for the following reasons:

- it represents the price that a Shareholder can monetise the consideration following acceptance of the Offers;
- the market price takes into account any change in value perceived to result from the acceptance of the Offers.
- there has been sufficient time and information available for the market to assess the Offers;

The quoted market price of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company. If Shareholders and Option Holders accept the Offers, they will become minority shareholders in 88E.

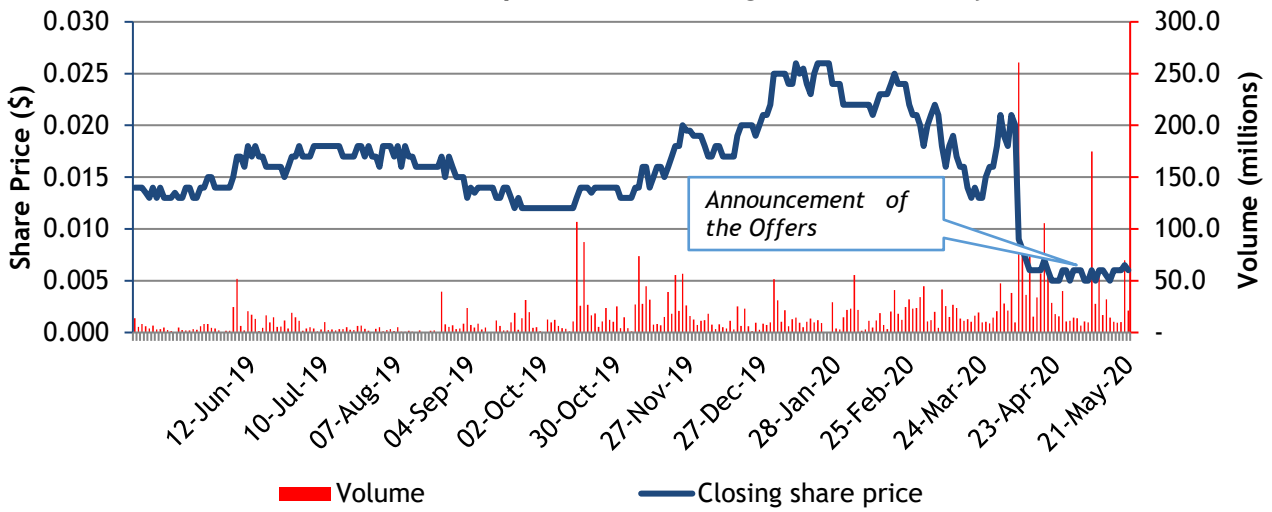
We note that the price of Oil has dropped dramatically in recent weeks therefore in forming our opinion we have also considered the performance of 88E relative to its listed peers, and the global oil price.

Minority Interest Value

Our analysis of the quoted market price of an 88E share is based on the pricing both prior to, and following the announcement of the Offers.

The following charts provide a summary of the share price movement over the 12 months prior to the announcement of the Offers, being 25 April 2019 to 24 April 2020, which was the last trading day prior to the announcement ('Pre-announcement Period'), in addition to the period following the announcement from 27 April to 21 May 2020 ('Post-announcement Period'). We note that the BIA was announced on 7 May 2020 with an increased offer consideration.

88E ASX share price and trading volume history



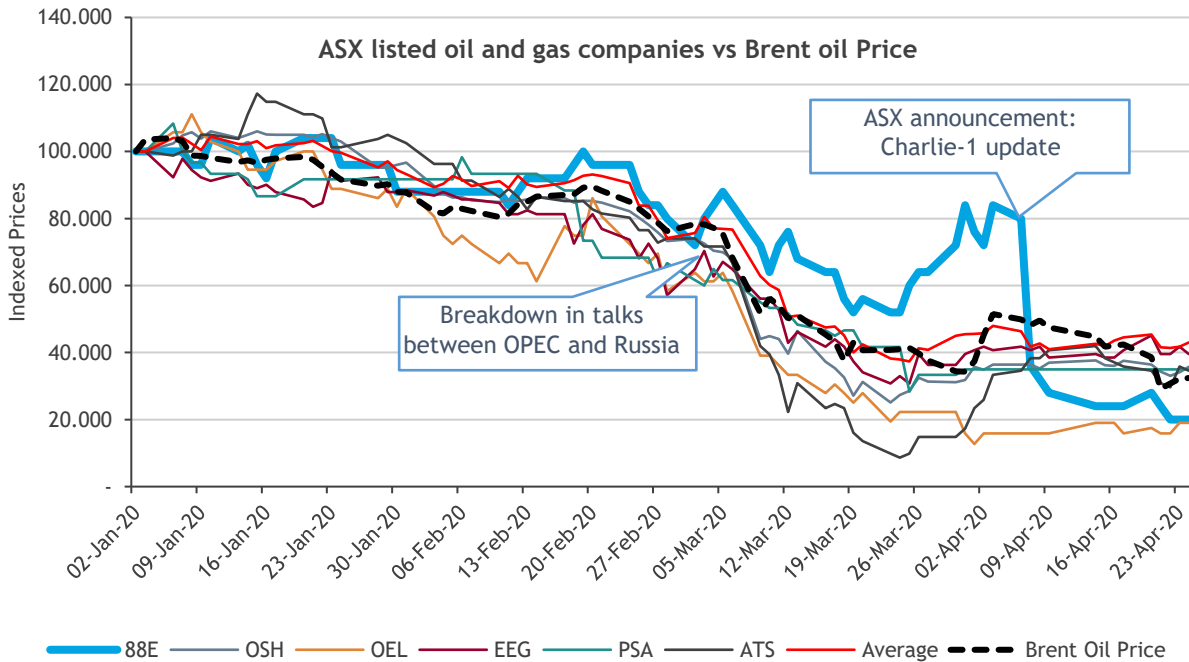
Source: Bloomberg

88E AIM share price and trading volume history



Source: Bloomberg

88E's share price faced significant declines in early 2020. In order to provide a comparison to the decline that has occurred, we have looked at peer companies, engaging in the exploration of onshore oil and gas in the US. Since 1 January 2020 we have observed a significant decline in the value of these ASX listed companies, partially due to the decline in the price of oil, as evidenced in the graph below:



Source: Bloomberg, BDO analysis

On 9 March 2020, Brent oil experienced a one-day decline of 24%, with the six companies experiencing an average decline of 26%. The decline was due to a breakdown in talks between OPEC and Russia, prompting Saudi Arabia to launch a price war and further lift production. The price of oil continued to fall over the period due to the outbreak of COVID-19, particularly due to the reduction in domestic and international travel as well as reductions in industrial activity. Whilst there is no singular date by which the effects of COVID-19 on oil price can be observed, a significant portion of countries closed their borders to non-residents between 14 March and 1 April 2020.

On 7 April 2020 88E announced that the appraisal of Charlie-1 had proved the presence of mobile hydrocarbons in the form of condensate gas. These carbons were successfully recovered from the surface of the targets. The Company stated that it would require future testing to confirm the composition and gas to liquid ratio. Following the announcement of drilling results, Premier informed 88E that it intended to withdraw from the JV, as the well did not meet its pre-drill expectations. On the date of the announcement 88E’s share price decreased by 55.0% to close at \$0.009, before decreasing by 33.3% over the subsequent three day trading period to close at \$0.006.

Other Key announcements made during the Pre-announcement Period and Post Announcement Period are set out below:

Date	Announcement	Closing Share Price Following Announcement		Closing Share Price Three Days After Announcement	
		\$ (movement)		\$ (movement)	
07/05/2020	88E AND XCD TO MERGE VIA RECOMMENDED TAKEOVER OFFER	0.006	▲ 20.0%	0.006	▶ 0.0%

Date	Announcement	Closing Share Price Following Announcement			Closing Share Price Three Days After Announcement		
		\$ (movement)			\$ (movement)		
07/05/2020	XCD: XCD AND 88E TO MERGE VIA RECOMMENDED TAKEOVER OFFER	0.006	▲	20.0%	0.006	▶	0.0%
27/04/2020	XCD: Response to Unsolicited Offer	0.006	▲	20.0%	0.006	▶	0.0%
27/04/2020	OFF-MARKET TAKEOVER BID FOR XCD ENERGY LIMITED	0.006	▲	20.0%	0.006	▶	0.0%
20/04/2020	Petrophysical Interpretation Confirms Pay in Torok & Seabee	0.007	▲	16.7%	0.005	▼	28.6%
09/04/2020	Quarterly Activities Report & Cashflow	0.007	▼	12.5%	0.006	▼	14.3%
07/04/2020	Charlie-1 Confirms Large Condensate Discovery Updated	0.009	▼	55.0%	0.006	▼	33.3%
07/04/2020	Charlie-1 Confirms Large Condensate Discovery	0.009	▼	55.0%	0.006	▼	33.3%
31/03/2020	Operations Update	0.021	▲	16.7%	0.021	▶	0.0%
24/01/2020	Placement to Raise \$5 Million	0.024	▼	7.7%	0.022	▼	8.3%
22/01/2020	Trading Halt	0.026	▶	0%	0.024	▼	8%
20/01/2020	Quarterly Activities Report & Cashflow	0.026	▲	4%	0.026	▶	0%
27/11/2019	Charlie-1 Appraisal Well Update	0.020	▶	0%	0.019	▼	3%
22/10/2019	Quarterly Activities Report & Cashflow	0.014	▲	4%	0.014	▶	0%
13/09/2019	Placement to Raise \$6.75 million	0.013	▼	7%	0.014	▲	8%
11/09/2019	Trading Halt	0.014	▶	0%	0.013	▼	7%
23/08/2019	Project Icewine Conventional Farmout Executed	0.017	▲	6%	0.016	▼	6%
22/08/2019	Trading Halt	0.016	▶	0%	0.017	▲	6%
06/08/2019	Project Icewine Conventional Farmout Update	0.017	▼	6%	0.018	▲	6%
31/07/2019	Quarterly Activities Report & Cashflow	0.016	▼	6%	0.018	▲	13%
26/06/2019	Project Icewine Conventional Farmout Update	0.016	▲	7%	0.018	▲	13%

Source: Bloomberg, BDO analysis

On 7 May 2020 88E announced that XCD had agreed to merge to form an Alaskan focused oil exploration company and had entered into a Bid Implementation Agreement with 88E, by which 88E would offer to acquire all of the fully paid ordinary shares and listed options on issue in XCD, via an off-market takeover. Under the revised offer XCD shareholders would receive 2.4 new 88E shares for every XCD share and 0.7 new 88E shares for every XCD listed option. On the date of the announcement 88E's share price increased by 20% to close at \$0.006 and remained unchanged over the subsequent three day trading period.

On 27 April 2020 88E announced their intention to make an off-market takeover offer to acquire all of the fully paid ordinary shares and listed options on issue in XCD. The announcement outlined the terms of the offer and highlighted advantages of a merged firm, should the acquisition occur. XCD, on the same day, released a response to the offer stating that the board would give careful consideration to the details and conditions of the offer. On the date of the announcement 88E's share price increased by 20% to close at \$0.006 and remained unchanged over the subsequent three day trading period.

On 20 April 2020 88E provided an update relating to results from the Charlie-1 appraisal well, located on the North Slope of Alaska. The update confirmed hydrocarbon pay in the Torok, Seabee and Kuparuk formations. The results were favourable to pre-drill expectations, however 88E stated that confirmation of rock properties and future lab work was still required. On the date of the announcement 88E's share price increased by 16.7% to close at \$0.007, before decreasing by 28.6% over the subsequent three day trading period to close at \$0.005.

On 9 April 2020 88E released its quarterly activities and cash flow report for the March quarter, outlining operation updates for Icewine, Yukon and Western Blocks. During the quarter Icewine completed drilling, with results from the program appearing largely consistent with the nearby Malguk-1 well. The wireline logging program at Icewine commenced with 88E announcing, subsequent to the end of the quarter, that condensate had been discovered at the Torok Formation. During the quarter it had been in discussions with nearby resource owners in relation to the future of Yukon and continued to assess the future strategy for Western Blocks. 88E also successfully completed a capital raise of \$5.00 million during the quarter. On the date of the announcement 88E's share price decreased by 12.5% to close at \$0.007, before decreasing by a further 14.3% over the subsequent three day trading period to close at \$0.006.

On 31 March 2020 88E released an operations update for the Charlie-1 well. Charlie-1 reached its total depth on 30 March 2020, with initial results showing consistency with the nearby Malguk-1 well with elevated log response recorded over several horizons. 88E stated that COVID-19 continued to have no impact on the program and that any potential impacts were being proactively addressed. On the date of the announcement 88E's share price increased by 16.7% to close at \$0.022 and remained unchanged over the subsequent three day trading period.

On 24 January 2020 88E announced that it had successfully completed a book build to domestic and international institutional investors. The book build raised \$5.0 million (before costs) through the issue of 238,095,238 ordinary shares at a price of \$0.021 per share. 88E announced that the funds would be used for ongoing evaluation of the Company's assets, including Charlie-1. On the date of the announcement 88E's share price decreased by 7.7% to close at \$0.024, before decreasing by 8.3% over the subsequent three day trading period to close at \$0.022.

Pre-announcement pricing

The daily price of 88E shares on the ASX, from 25 April 2019 to 24 April 2020, has ranged from a low of \$0.005, between 22 April 2020 and 24 April 2020, to a high of \$0.026 on various dates in January 2020. The daily volume of shares traded fluctuated largely over the year. The highest single day of trading over the assessed period was 7 April 2020, when 260.80 million shares were traded followed by 15 October 2019, when 106.80 million shares were traded. Over the assessed period trades took place on all trading days, excluding those with trade halts.

The daily price of 88E shares on the AIM, from 25 April 2019 to 24 April 2020, has ranged from a low of 0.245 Great British Pence ('GBP') on 23 April 2020 and 24 April 2020, to a high of 1.40 GBP on various dates in January 2020. The daily volume of shares traded fluctuated largely over the year. The highest single day of trading over the assessed period was 7 April 2020, when 1.44 billion shares were traded, followed by 9 April 2020 when 482.98 million shares were traded.

To provide further analysis of the market prices for an 88E share over the Pre-announcement period, we have also considered the VWAP of an 88E share for 10, 30, 60 and 90 day periods (ASX trading days) to 24 April 2020.

ASX	24-Apr-20	10 Days	30 Days	60 Days	90 Days
Closing price (3dp)	\$0.005				
Volume weighted average price (VWAP)		\$0.006	\$0.010	\$0.014	\$0.016

Source: Bloomberg, BDO analysis

AIM (GBP)	24-Apr-20	10 Days	30 Days	60 Days	90 Days
Closing price (3dp)	0.245 GBP				
Volume weighted average price (VWAP)		0.270 GBP	0.435 GBP	0.589 GBP	0.699 GBP

Source: Bloomberg, BDO analysis

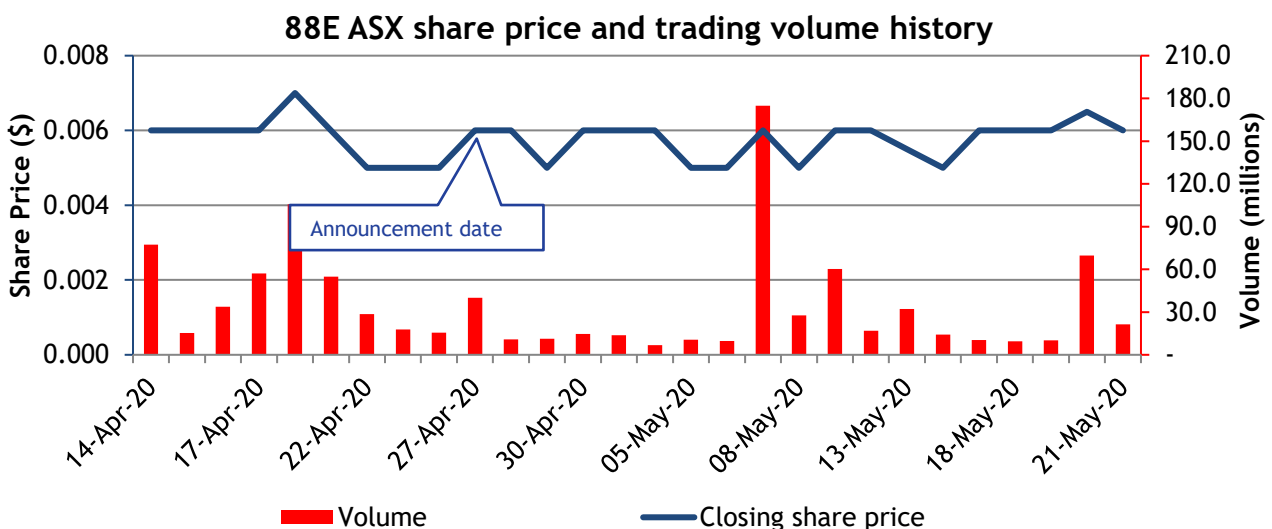
The above weighted average prices are prior to the date of the announcement of the Offers, to avoid the influence of any increase in price of 88E shares that has occurred since the Offers were announced.

Post-announcement pricing

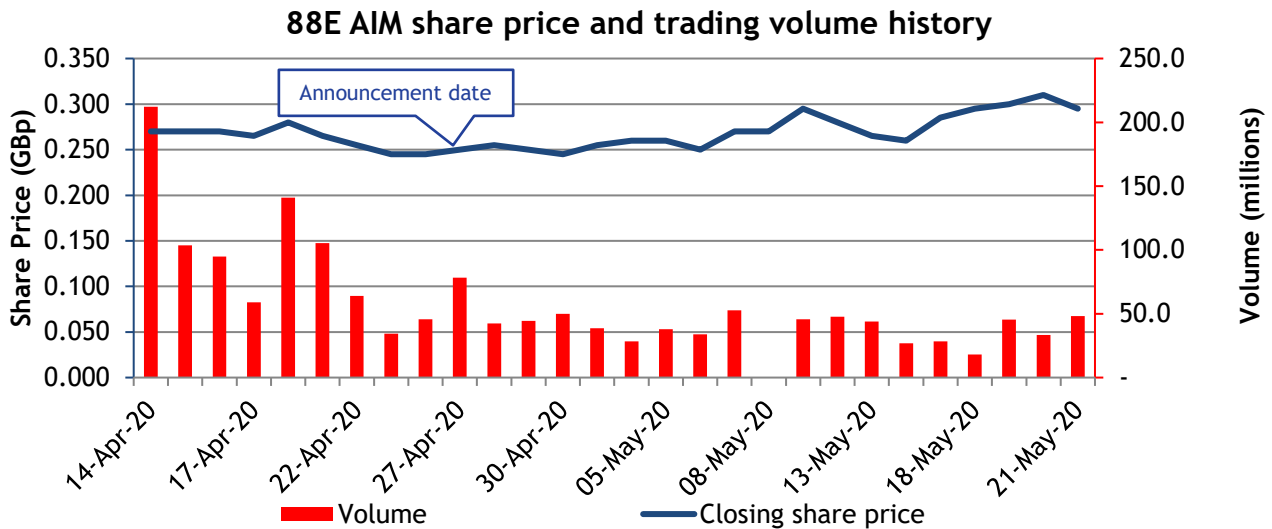
On 27 April 2020, when the offer was announced on the ASX, 88E's share price increased by 20% to close at \$0.006. Over the Post-announcement Period since, the share price has varied between \$0.005 and \$0.007. The highest single day of trading was on 7 May 2020, when 174.9 million shares were traded, following the announcement that XCD had entered into a Bid Implementation Agreement with 88E with an increased offer consideration.

On 27 April 2020, when the offer was announced on the AIM, 88E's share price increased by 2% to close at 0.250 GBP. Over the Post-announcement Period since, the share price has varied between 0.245 GBP and 0.310 GBP. The highest single day of trading was on 27 April 2020 when 78.3 million shares were traded.

We outline detailed share price and trading volume graphs for the period prior to, and following the announcement to illustrate Post-announcement trading.



Source: Bloomberg



Source: Bloomberg

To provide further analysis of the market prices for an 88E share over the Post-announcement Period, we have also considered the weighted average market price for the last 5, 10 and 19 day periods (ASX trading days).

ASX	21-May-20	20-May-20	5 Days	10 Days	19 days
Closing price (3 dp)	\$0.006	\$0.007			
Volume weighted average price (VWAP)			\$0.006	\$0.006	\$0.006

Source: Bloomberg, BDO analysis

AIM	21-May-20	20-May-20	5 Days	10 days	19 days
Closing price (3 dp)	0.295GBP	0.310 GBP			
Volume weighted average price			0.301 GBP	0.289 GBP	0.268 GBP
GBP:AUD*	1.862	1.857	1.870	1.883	1.903
Closing price (AUD)	\$0.005	\$0.006			
Volume weighted average price (AUD)			\$0.006	\$0.005	\$0.005

Source: Bloomberg, BDO analysis

The above weighted average prices take into consideration any change in the value of 88E shares that has occurred since the Offers were announced.

*We have used an average of the GBP/AUD closing rates over the respective trading day periods, sourced from Bloomberg.

Reliability of QMP Methodology

As previously discussed, in order for the quoted market price methodology to be an appropriate methodology, RG 111.69 states that there needs to be a ‘liquid and active’ market in the shares. We consider the following characteristics to be representative of a liquid and active market:

- Regular trading in a company’s securities;
- Approximately 1% of a company’s securities are traded on a weekly basis;
- The spread of a company’s shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company’s shares should meet all of the above criteria to be considered ‘liquid and active’, however, failure of a company’s securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

An analysis of the volume of trading in 88E shares over the one year period up until 21 May 2020 is set out below:

ASX	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	\$0.006	\$0.007	21,263,632	0.30%
10 Days	\$0.005	\$0.007	272,136,078	3.83%
30 Days	\$0.005	\$0.008	1,087,967,971	15.30%
60 Days	\$0.005	\$0.023	1,945,544,862	27.36%
90 Days	\$0.005	\$0.027	2,387,776,067	33.59%
180 Days	\$0.005	\$0.027	3,827,158,054	53.83%
1 Year	\$0.005	\$0.027	4,316,172,889	60.71%

Source: Bloomberg, BDO analysis

AIM	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	0.270 GBp	0.315 GBp	48,207,365	0.68%
10 Days	0.260 GBp	0.340 GBp	337,575,223	4.75%
30 Days	0.230 GBp	0.360 GBp	2,336,874,284	32.87%
60 Days	0.210 GBp	1.250 GBp	5,235,706,260	73.64%
90 Days	0.210 GBp	1.425 GBp	6,174,739,131	86.85%
180 Days	0.210 GBp	1.475 GBp	8,470,600,191	119.14%
1 Year	0.210 GBp	1.475 GBp	9,447,742,396	132.89%

Source: Bloomberg, BDO analysis

These tables indicate that 88E’s shares display a high level of liquidity, with 60.71% of 88E’s issued capital being traded in twelve month period on the ASX and 132.89% of 88E’s issued capital being traded in a twelve month period on the AIM. This collectively results in 193.6% of 88E’s issued capital being traded in a 12 month period. Over the assessed period, 88E shares have been traded regularly. There have been no significant, unexplained movements in share price. We therefore consider that there is a sufficiently deep market for 88E’s shares.



Conclusion on Quoted Market Price for 88E

We have analysed the share price of 88E over the Post-announcement Period, which we consider to be representative of the value of a share in 88E being offered as consideration to Shareholders and Option Holders of XCD, as the market price takes into account any change in value perceived to result from the acceptance of the Offers. Based on the above analysis our assessment of the range of values of 88E shares for the Post-Announcement Period, based on market pricing is between \$0.006 and \$0.007.

13. Are the Offers fair?

Shareholder Offer

The value of a share in XCD prior to the announcement of the Offers (on a control basis) and the value of 2.4 shares in 88E (on a minority interest basis), is compared below:

	Ref	Low \$	High \$
Value of an XCD share prior to the Offers (control basis)	10.3	0.008	0.034
Value of 2.4 shares in 88E (minority basis) (rounded)	12	0.014	0.017

In the absence of any other relevant information and an alternate offer, we consider the Shareholder Offer to be fair to Shareholders, as the value of 2.4 88E shares falls within our assessed valuation range for an XCD share.

The wide valuation range of an XCD share prior to the Shareholder Offer, reflects the independent market valuation of XCD's Project Peregrine, prepared by RISC Advisory Pty Ltd. The Independent Valuation Report prepared by RISC (Appendix 3), notes the wide valuation range is due to the 'exploratory nature of the asset, the dependency on a successful farm-out, and current investment uncertainty in the oil and gas sector'.

Based on quoted market prices, which is our secondary valuation methodology, our assessed value range of an XCD share on a control basis is between \$0.006 and \$0.011 which is below the value of the Offer consideration.

Option Holder Offer

The value of a listed option in XCD prior to the announcement of the Offers and the value of 0.7 shares in 88E (on a minority interest basis), is compared below:

	Ref	Low \$	High \$
Value of an XCD listed option prior to the Offers	11	0.003	0.006
Value of 0.7 shares in 88E (minority basis) (rounded)	12	0.004	0.005

The above comparison indicates that, in the absence of any other relevant information the Option Holder Offer is fair.

14. Are the Offers reasonable?

14.1 Advantages of accepting the Offers

14.1.1. The Shareholder Offer is fair

As set out in Section 13, the Shareholder Offer is fair. RG 111.12 states that an offer is reasonable if it is fair.

14.1.2. The Option Holder Offer is fair

As set out in Section 13, the Option Holder Offer is fair. RG 111.12 states that an offer is reasonable if it is fair.

14.1.3. Shareholders and Option Holders who accept the Offers will receive shares in a more diversified company with a stronger balance sheet

Assuming 88E is successful in acquiring XCD, Shareholders will hold shares in a company that has a stronger balance sheet, boosted by an improved cash position and a larger more diversified portfolio of assets. XCD shareholders will become part of a larger Alaskan focused oil explorer, with 88E holding a diverse portfolio of assets comprising, Project Icewine, Western Block and the Yukon Gold assets, together with Project Peregrine. This provides a diversification of risk for Shareholders who will have exposure to a number of projects rather than just one. The greater diversification may make it more attractive to potential investors and improve the ability of 88E to raise capital.

14.1.4. Better prospects for farm-out agreements

The Company has stated that its strategy for Project Peregrine is to secure a farm-out agreement. It recently announced that it would temporarily suspend its farm-out campaign due to the market conditions. 88E has stated that if the Offers were accepted, its intention would be to pursue the same strategy. The stronger financial position of 88E would allow it to delay commencement of a farm-out campaign until market conditions improve. Furthermore the stronger position of the combined group may allow 88E to better negotiate a farm-out deal for Project Peregrine.

14.1.5. Shareholders and Option Holders who accept the Offers will receive shares in a company with a greater ability to raise funds

The stronger financial position of 88E, and its dual listing on both the ASX and AIM, may result in 88E having an improved ability to source equity (and debt) funding on better terms than may otherwise be available to XCD on a standalone basis, due to its greater scale and liquidity. Its increased leverage will improve its ability to secure debt funding.

14.1.6. Shareholders and Option Holders who accept the Offers will receive shares in a company with improved liquidity

Assuming 88E is successful in acquiring XCD, Shareholders and Option Holders will hold shares in a company which has a larger market presence. Additionally, Shareholders and Option Holders will hold shares in a company that is listed on both the ASX and the AIM. This may translate to increased levels of interest from financial markets, and access to a wider range of investors, ultimately resulting in the shares in 88E being more liquid than XCD's.

14.1.7. Shareholders and Option Holders who accept the Offers will retain some exposure to the upside potential of XCD's Project Peregrine.

If the Offers are successful, Shareholders and Option Holders will receive 2.4 and 0.7 shares in 88E, respectively. By receiving shares in 88E, Shareholders and Option Holders will continue to hold an interest in an Alaskan oil exploration company, and will retain the opportunity to participate in any upside potential upside from Project Peregrine, albeit to a lesser extent through their diluted shareholding in 88E.

14.2 Disadvantages of accepting the Offers

14.2.1. Shareholders a who accept the Offer will no longer hold a direct interest in XCD

If the Offers are successful and 88E moves to compulsory acquisition, XCD will become a wholly owned subsidiary of 88E, shareholders and listed options holders will retain only an indirect interest in the assets of XCD through their holding in 88E, therefore Shareholders' and Option Holders' ability to benefit from any potential upside of XCD operations will be reduced.

14.2.2. Shareholders will hold a diluted interest in 88E

If the Offers are successful, Shareholders' interest in XCD will be diluted from collectively holding 100% of XCD to holding a maximum of 20% of 88E. Shareholders will no longer hold a combined controlling interest in XCD, rather a minority interest in 88E.

14.2.3. Shareholders and Option Holders who accept the Offers will be exposed to the debt held by 88E

88E has approximately \$22.7 million of borrowings at 31 December 2019. This debt expires in December 2022 and contains financial covenants, which have currently been met. While 88E expects to fund the repayment of the facility through cashable credits owed to it by the State of Alaska, it does expose Shareholders to a company with increased credit risk, given that XCD currently has no debt. We note that 88E expects to be able to refinance this debt.

14.2.4. Shareholders and Option Holders who accept the Offer may be subject to potential tax implications

We note that capital gains scrip for scrip rollover relief is only available if 88E does acquire more than 80% of the shares on issue in XCD. If the Offers become or are declared unconditional without reaching 90% acceptances, there may be potential tax implications for shareholders and Option Holders. Individual Shareholders and Option Holders should consult their tax advisers in relation to their personal circumstances.

14.3 Consequences of not accepting the Offers

14.3.1. Shareholders who reject the Shareholder Offer could become minority Shareholders in a company in which 88E would have a controlling interest

88E reserves the right to declare the Offers free from the 90% minimum acceptance condition (or any other condition). Consequently, Shareholders who reject the Shareholder Offer may potentially be left holding a minority interest shareholding in a company in which 88E has a controlling interest.

The implications of the various levels of control that 88E may obtain as a result of the Offers are outlined below:

Controlling Interest	Company Influence
>5%	Ability to requisition a general meeting of the Company
>10%	Ability to prevent a compulsory acquisition
>25%	Ability to block special resolutions
>50%	Ability to block and pass general resolutions
>75%	Ability to pass special resolutions
>90%	Ability to initiate a compulsory takeover

Further, 88E has indicated that if it acquires 50.1% or more, but less than 90% of the shares, then it proposes to seek the appointment of a majority of 88E nominees to the Board and it will seek to remove XCD from the official list of the ASX. Therefore, if 88E gains control (greater than 50%), those Shareholders who did not accept the Offer face the risk of holding shares in an unlisted company.

14.3.2. Listed Option Holders who reject the Option Holder Offer may be left holding an option over an unlisted share

If Option Holders reject the Option Holder Offer, they will continue to hold their XCD listed options. In that event, XCD would be delisted from the ASX and become a wholly owned subsidiary of 88E, there may no longer be an active market for any XCD shares issued as the result of the exercise of the listed options.

Therefore, there is a risk to Option Holders that if they reject the Option Holder Offer, they may be unable to sell their shares if they were to exercise the listed options. This will reduce the value of the underlying asset and therefore the value of the listed options.

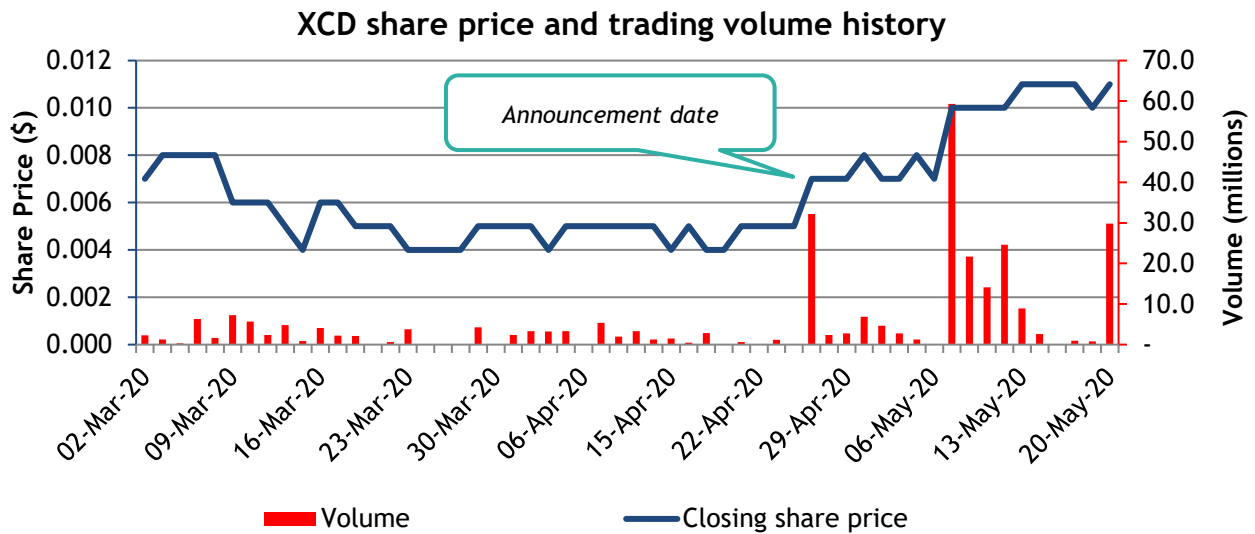
14.4 Other Considerations

14.4.1. Alternative Proposal

We are unaware of any alternative proposal that might offer the Shareholders and Option Holders of XCD a premium over the value resulting from the Offers.

14.4.2. Post Announcement Pricing

We have analysed movements in XCD's share price since the Offers were announced. A graph of XCD's share price prior to, and following the announcement of the Offers is set out below.



Source: Bloomberg

The first day of trading subsequent to the announcement of the Offers was 27 April 2020, on which 32,145,662 shares were traded. This represents approximately 4.6% of the Company’s total issued capital. On the date of the announcement the share price closed at \$0.07, up from the previous trading day’s close price of \$0.005. We note that since the announcement of the Offers, XCD’s share price has trended higher, closing at a high of \$0.011 on various dates in May 2020.

Given the above analysis it is possible that if the Offers are unsuccessful, then XCD’s share price may decline back to levels observed prior to the announcement of the Offers.

15. Conclusion

We have considered the terms of the Offers as outlined in the body of this report and have concluded that the Offers are fair and reasonable to the Shareholders and Option Holders of XCD.

16. Sources of information

- Bidder’s Statement and BIA;
- Audited financial statements of XCD for the years ended 30 June 2018 and 30 June 2019;
- Reviewed financial statements of XCD for the half year ended 31 December 2019;
- Unaudited management accounts of XCD for the four month period ended 30 April 2020;
- Audited financial statements of 88E for the year ended 31 December 2017, 31 December 2018 and 31 December 2019;
- Independent Technical Specialists Report on the assets of XCD dated 19 May 2020 performed by RISC Advisory Pty Ltd;
- Share registry information of XCD;
- Bloomberg;

- Consensus Economics;
- Federal Reserve;
- Labour Alaska;
- Reserve Bank of Australia;
- US Energy Information Administration;
- BP Statistical Review of World Energy;
- Alaska Oil and Gas Association;
- Information in the public domain; and
- Discussions with Directors and Management of XCD.

17. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$30,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by XCD in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by XCD, including the non-provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to XCD and 88E and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of XCD and 88E and their respective associates.

The provision of our services is not considered a threat to our independence as auditors of 88E under Professional Statement APES 110 - Professional Independence. The services provided have no material impact on the financial report of 88E.

A draft of this report was provided to XCD and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

BDO is the brand name for the BDO International network and for each of the BDO Member firms.

BDO (Australia) Ltd, an Australian company limited by guarantee, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of Independent Member Firms. BDO in Australia, is a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International).

18. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.



BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investments Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of Chartered Accountants Australia & New Zealand. He has over 30 years' experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 350 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Corporate Finance Practice Group Leader of BDO in Western Australia, the Global Head of Natural Resources for BDO and a former Chairman of BDO in Western Australia.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans over 20 years in the Audit and Assurance and Corporate Finance areas. Adam is a CA BV Specialist and has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

19. Disclaimers and consents

This report has been prepared at the request of XCD for inclusion in the Target Statement which will be sent to all XCD Shareholders. XCD engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the off-market takeover offer, from 88E to acquire all of the fully paid ordinary shares and listed options on issue in XCD.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Target's Statement. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Target's Statement other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to the Offers. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders and Option Holders obtain their own taxation advice, in respect of the Offers, tailored to their own particular circumstances.

Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of XCD, or any other party.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent valuations for mineral assets held by XCD.

The valuer engaged for the mineral asset valuation, RISC, possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation is appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd is required to provide a supplementary report if we become aware of a significant change affecting the information in this report arising between the date of this report and prior to the date of the meeting or during the offer period.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD



Sherif Andrawes

Director



Adam Myers

Director

Appendix 1 - Glossary of Terms

Reference	Definition
88E	88 Energy Limited
The Act	The Corporations Act 2001 Cth
AFCA	Australian Financial Complaints Authority
AIM	Alternative Investments Market
AOGCC	Alaska Oil and Gas Conservation Commission
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BIA	Bid Implementation Agreement
Bidder	88 Energy Limited
Bidder's Statement	Bidder's statement released by 88E setting out the complete terms of the Offers
BDO	BDO Corporate Finance (WA) Pty Ltd
BLM	United States Bureau of Land and Management
Burgundy	Burgundy Xploration LLC
Charlie-1	The Charlie-1 well, forming a conventional oil play within Icewine
The Company	XCD Energy Limited
Corporations Act	The Corporations Act 2001 Cth
COVID-19	The 2019 coronavirus disease
CPI	Consumer Price Index
DCF	Discounted Future Cash Flows
EBIT	Earnings before interest and tax

Reference	Definition
EBITDA	Earnings before interest, tax, depreciation and amortisation
EII	Equity Investments Inc.
Elixir Energy	Elixir Energy Limited
Emerald	Emerald House LLC
Entek GRB	Entek GRB LLC
FED	The Federal Reserve Bank of America
FME	Future Maintainable Earnings
Focus Ranch	The Focus Ranch asset, previously held by Entek GRB
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
GDP	Gross Domestic Product
GFC	The Global Financial Crisis
Great Bear	Great Bear Petroleum
GBp	Great British Pence
Harrier	XCD's Harrier prospect
HRZ	HRZ Exploration Wells
Icewine	Project Icewine
IMF	International Monetary Fund
INTRO Project	the Integrated Nanushuk Technical Regional Overview
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition)
JV	The joint venture for project Icewine between 88E, Premier and Burgundy
Longreach	Longreach Capital Pty Ltd
NPRA	National Petroleum Reserve of Alaska

Reference	Definition
NAV	Net Asset Value
Offer	The off-market takeover offer, from 88E to acquire all of the fully paid ordinary shares and listed options in XCD
Offers	The Shareholders Offer and Option Holders Offer
OPEC	Organisation of Petroleum Exporting Countries
Option Holder	XCD listed option holders
Option Holder Offer	The offer for XCD listed option holders to receive 0.7 new 88E shares for every XCD listed option they hold
Otto	Otto Energy Ltd
Our Report	This Independent Expert's Report prepared by BDO
PCE	Personal Consumption Expenditure
Post-announcement Period	The period following the announcement of the Offer by 88E, from 27 April 2020 to 12 May 2020
Pre-announcement Period	The period prior to the announcement of the Offer by 88E, from 25 April 2019 to 24 April 2020
Premier	Premier Oil Plc
Project Peregrine	17 leases held by XCD within the National Petroleum of Alaska
Prospective Report	Independent prospective resource report released by XCD in relation to project Peregrine
QMP	Quoted market price
RBA	Reserve Bank of Australia
Red Emperor	Red Emperor Limited
Regulations	Corporations Act Regulations 2001 (Cth)
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
RISC	RISC Advisory Pty Ltd

Reference	Definition
ROU	Riht of use
R/P ratio	The reserve to production ratio
Section 411	Section 411 of the Corporations Act
Section 611	Section 611 of the Corporations Act
Shareholders	Shareholders of XCD Energy Limited
SPA	Sale and Purchase Agreement
Sum-of-Parts	A combination of different methodologies used together to determine an overall value where separate assets and liabilities are valued using different methodologies
TAPS	Trans-Alaska Pipeline System
US	The United States of America
USGS	United States Geological Survey
Valmin Code	Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (2015 Edition)
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.
VWAP	Volume Weighted Average Price
WACC	Weighted Average Cost of Capital
Western Blocks	The Western Blocks Project that 88E holds a 36% working interest in
Winx-1	The Winx-1 exploration well within the Western Blocks
WTI	World Trade Organisation
XCD	XCD Energy Limited
Yukon Gold	The Yukon Gold leases held by 88E



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The Directors

BDO Corporate Finance (WA) Pty Ltd

38 Station Street

SUBIACO, WA 6008

Australia

Appendix 2 - Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 *Net asset value ('NAV')*

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 *Quoted Market Price Basis ('QMP')*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a liquid and active market in that security.

3 *Capitalisation of future maintainable earnings ('FME')*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ('EBIT') or earnings before interest, tax, depreciation and amortisation ('EBITDA'). The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

4 Discounted future cash flows ('DCF')

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start-up phase, or experience irregular cash flows.

5 Market Based Assessment

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.



Appendix 3 - Independent Valuation Report

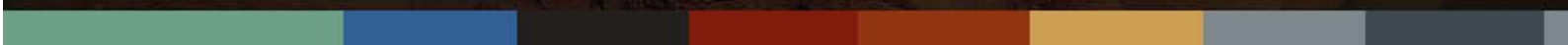


decisions with confidence

Independent Technical Specialist's Report on the assets of XCD Energy

For BDO Corporate Finance (WA) Pty Ltd

Date: 19 May 2020



1. Executive Summary

Dougal Ferguson
 Managing Director
 XCD Energy
 Level 1, 35 Outram Street,
 West Perth, WA 6005, Australia

Sherif Andrawes
 Director
 BDO Corporate Finance (WA) Pty Ltd,
 38 Station Street
 Subiaco, WA 6008, Australia

19 May 2020

Dear Directors and Independent Expert,

Independent Technical Specialist’s Report on the assets of XCD Energy

XCD Energy ("XCD") have a 100% working interest in 17 exploration leases totalling 195,373 acres in the North Slope Basin of Alaska. XCD refer to the asset as **Project Peregrine**.

XCD has appointed BDO Corporate Finance (WA) Pty Ltd ("BDO") to provide an Independent Expert’s Report (IER) on their assets.

BDO has appointed RISC Advisory Pty Ltd ("RISC") to provide an Independent Technical Specialist’s Report (ITSR) in support of the IER, which includes an assessment of the market value of Project Peregrine. In particular, our report provides an independent opinion on the value that Project Peregrine would change hands for as at the date of the report in an open and unrestricted market between a willing buyer and a willing seller in an ‘arm’s length’ transaction, with each party acting knowledgeably, prudently and without compulsion.

Fair market value of Project Peregrine

RISC estimates a fair market value range for Project Peregrine of between US\$ 3 million and US\$ 14.8 million with a best estimate of **US\$ 9.6 million**, (Table 1-1).

Table 1-1: Valuation of Project Peregrine (US\$ million)

Asset	Valuation Range (US\$ million)		
	Low	Best	High
Project Peregrine	3.0	9.6	14.8
Valuation rationale	Farm-in on a 1.2:1 promote	Farm-in on a 1.4:1 promote	Farm-in on a 1.6:1 promote

RISC valued Project Peregrine with two methods both using comparable transaction analysis. We consider farm-in promotion factors from comparable transactions to be the most appropriate method to value the project.

This report provides a description of Project Peregrine and the rationale for our valuation.

Project Peregrine

Project Peregrine is a land position held at relatively low-cost on trend with significant recent discoveries in the same stratigraphy and analogous stratigraphic trapping mechanisms in the North Slope Basin, Alaska. Interest in the Brookian play of the North Slope Basin has increased significantly over the last several years following discoveries at Horseshoe and Pikka (in acreage now operated by Oil Search), and discoveries at Willow and Harpoon (in acreage operated by ConocoPhillips). ConocoPhillips announced they had encountered hydrocarbons at their Harpoon well on 30 April 2020¹. The Harpoon well is considered to improve the geological chance of success of the Harrier prospect in Project Peregrine as it is interpreted to be on trend, (Figure 1-1).

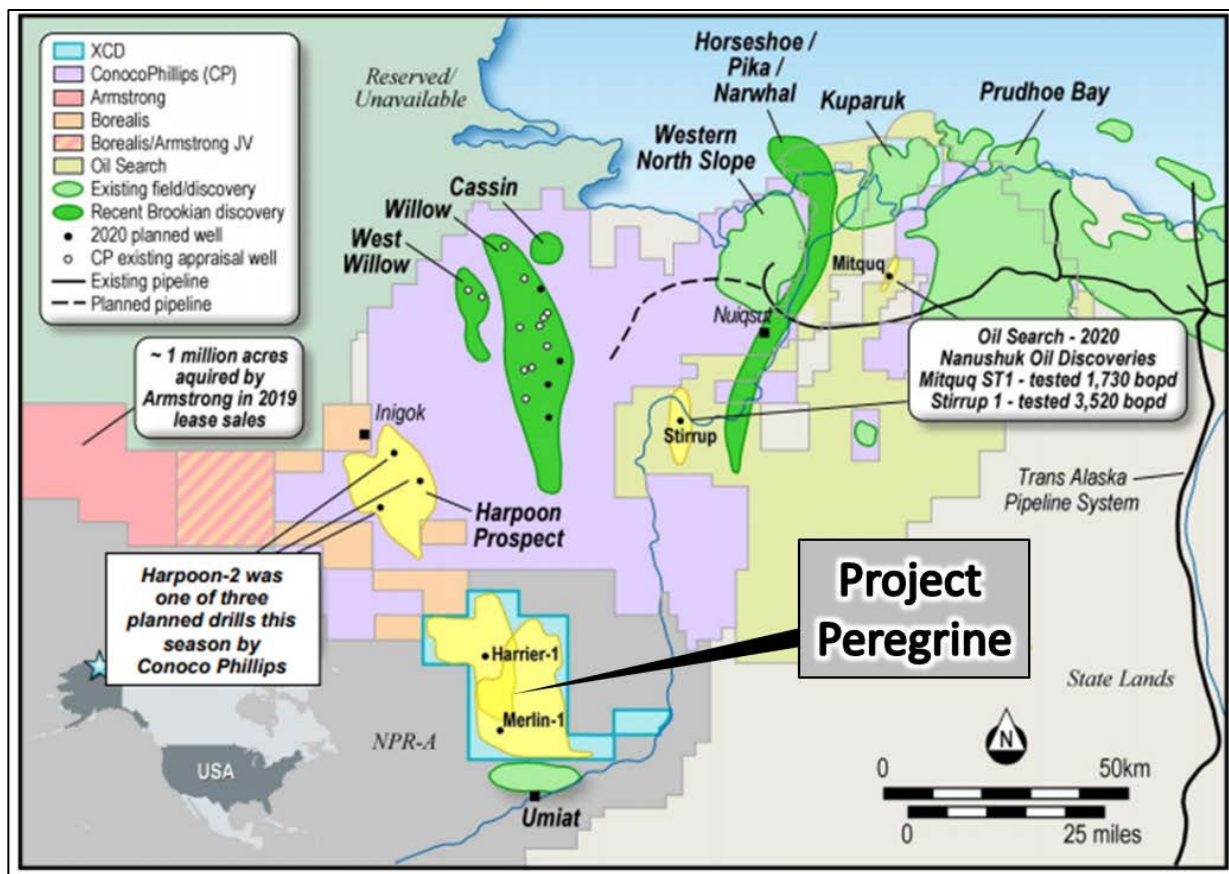


Figure 1-1: Location map of the XCD exploration leases (Project Peregrine)

Despite the recent sharp drop in oil prices, we consider that the Harpoon well on adjacent acreage has had a positive effect on the value of Project Peregrine in that the chances of XCD being able to farm-out their acreage on promoted terms would have increased following the encouraging report of indications of hydrocarbons being encountered by the Harpoon well.

¹ At the time of writing this report, ConocoPhillips had not released specific details on their Harpoon well

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2. Terms of reference and basis of assessment

2.1.1. Terms of reference

This assignment has been conducted under the terms of our engagement with BDO dated 30 April 2020. BDO has requested a report on the current market value of Project Peregrine.

BDO asked for the following to be provided in our report:

- A competent person statement for the author and all contributors that demonstrates our claims against the requirements of a Specialist and the competency to conduct the work we have been engaged to do;
- The sources of any material information or data used and whether Consent has been required;
- Our fee and whether it is dependent on our conclusions, success or failure of the Proposed Transaction, or time and cost restrictions that negatively affect the depth of analysis or extent of detail required to provide shareholders with the information they require to make an informed decision;
- The provision of any previous reports;
- If commercially sensitive information has been excluded;
- A tenure list appropriately prepared;
- Quality and reasonableness statements for any mineralisation, mineral resources, or ore reserves (Section 7.3), and [PRMS categories];
- An evaluation on risks.

Our report provides our expert opinion of the current market value of Project Peregrine as at the date of the ITSR, on the basis of an unrestricted market between a willing buyer and a willing seller in an 'arm's length' transaction, with each party acting knowledgeably, prudently and without compulsion.

The ITSR is prepared in accordance with the PRMS (2018) and the VALMIN (2015) codes. Our services have been carried out in compliance with ASIC Regulatory Guides 112 Independence of Experts, and RISC is independent of XCD and 88 Energy Limited and their subsidiaries and associates

2.1.2. Basis of assessment

The data and information used in the preparation of this report were provided by XCD and supplemented by public domain information. RISC has relied upon the information provided by XCD. Data provided by XCD included the following:

- Project Peregrine farmout presentation;
- January 2020 ERCE Prospective resource report;
- May 2020 ERCE Resource update letter;
- NAPE 2020 XCD farm-out presentation;
- Willow Field technical information;
- Published papers on the geology of the North Slope Basin;
- SEG-Y data for 12 reprocessed seismic lines together with a report on the analysis of AVO and other attributes;
- Geochemical modelling study;
- Reservoir study.

A site visit was not considered necessary and not undertaken as part of our valuation. RISC was provided enough information from XCD to reach our conclusions and allow an informed evaluation.

2.1.3. Exploration evaluation

A range of oil and gas industry accepted practices can be used to estimate the value of exploration assets and these are discussed below. RISC has collated relevant data and information for the alternative valuation methods as below.

We have used our experience, skill and judgment to select the most appropriate methodology or methodologies for our valuation. Where and when possible, we have used more than one valuation method to reduce the risk that our opinion is being distorted by the choice of methodology.

The VALMIN Code defines Value as the amount of money (or the cash equivalent of some other consideration) determined by the Expert in accordance with the provisions of the VALMIN Code for which the Mineral or Petroleum Asset or Security should change hands on the Valuation Date in an open and unrestricted market between a willing buyer and a willing seller in an “arm’s length” transaction, with each party acting knowledgeably, prudently and without compulsion.

2.1.3.1. Comparable transaction metrics

The value of exploration assets can be estimated using recent comparable transactions. Such transactions may provide relevant metrics such as value per unit of reserves, contingent or prospective resources, and price paid per unit area of the permit or % interest. The VALMIN Code advises value must also consider risk and premium or discount relating to market, strategic or other considerations. For exploration assets, comparable transaction analysis can identify appropriate farm-in promotion factors.

2.1.3.2. Farm-in promotion factors

An estimate of value can be based on an estimation of the share of future costs likely to be borne by a notional farmee under prevailing market conditions. A premium or promotion factor may be paid by the farmee. The promotion factor is defined as the ratio of the proportion of the activity being paid for and the amount of equity being earned.

The nominal permit value is defined as the amount spent by the farmee divided by the interest earned. This represents the perceived value of the permit (i.e. the amount of money a willing investor is willing to spend to progress the opportunity including the future work program). However, it is not the cash value which would exclude the future work program cost. The cash value excluding the future work program costs is referred to as the premium value.

The premium value for the permit is the difference between the nominal value and the cost of the activity. This represents a cash amount that would be paid by the farmee to take on the future work program. The premium value is equivalent to the farmee paying the farmor a cash amount in return for the acquisition of the interest in the permit and can be taken as an indication of market value.

The premium or promotion factor will be dependent upon the perceived prospectivity of the property, competition and general market conditions.

Farm-in transactions may have several stages. For example, a farmee may acquire an initial interest by committing to a future cost in the first stage of the transaction but has an option to acquire an additional interest or interests in return to committing to funding a further work program or programs.

Farm-in agreements can also include re-imbursement of past costs and bonus payments once certain milestones are achieved, for example declaration of commerciality, or achieving threshold reserves volumes. Depending on their conditionality, such future payments may contribute to value. However, they may need to be adjusted for the time value of money and probability of occurring.

2.1.3.3. Work program commitments

The costs of a future work program may also be used to estimate value. The work program valuation relies on the assumption that unless there is evidence to the contrary the permit is worth what a company will spend on it. This method is relevant for permits in the early stages of exploration and for expenditure which is firmly committed as part of a venture budget or as agreed with the government as a condition of holding the permit. This assumes that the work program and options could be farmed out for a 2:1 promote. There may also need to be an adjustment for risk and the time value of money.

2.1.3.4. Expected monetary value (EMV)

EMV is calculated as the success case NPV times the probability of success less the NPV of failure multiplied by the probability of failure. The EMV method provides a more representative estimate of value in areas with a statistically significant number of mature prospects within proven commercial hydrocarbon provinces where the chance of success and volumes can be assessed with a reasonable degree of predictability. EMVs may require discounting to estimate market value depending upon project maturity and uncertainty.

The EMV valuation can also be used as a relative measure for ranking exploration prospects within a portfolio to make drilling decisions, assessing commercial potential and to demonstrate the commercial attractiveness of a permit, which may influence a buyer or seller.

2.1.3.5. Market factors

Since the latter part of 2014, oil prices have substantially declined from over US\$ 100/bbl to under US\$ 30/bbl in January 2016. They recovered somewhat and were trading near to US\$ 60/bbl at the time beginning of 2020. Since then, oil prices have dropped to around US\$ 20/bbl at the time of writing this report (Figure 2-1).

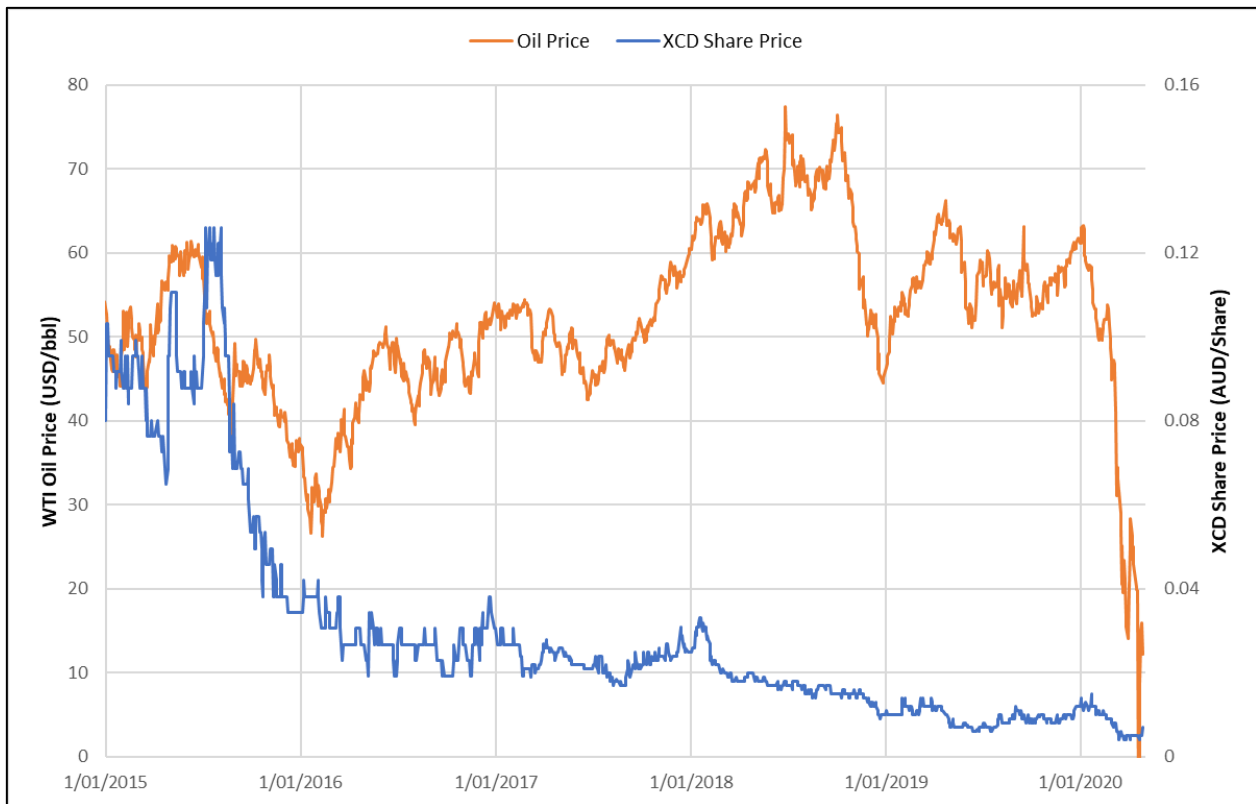


Figure 2-1: WTI oil price versus XCD share price 2015-2020

Prior to the mid-2014 oil price decline, interest in exploration opportunities was high and farm-in promotes of two or greater were being seen for quality acreage with large investment programs. Since then, there has been a paucity of transactions and anecdotally, RISC has identified that buyers are seeking farm-in promotes at or just above ground floor level.

In response to the market factors, our experience has been that oil and gas companies have slashed their exploration budgets and the value of exploration companies has declined significantly, although there were some signs that with the stabilisation and recovery in prices, exploration activity is beginning to improve, we suspect that interest in exploration assets will fall significantly again in response to the 2020 crash in oil prices.

3. Geological setting

3.1. North Slope Basin

The North Slope Basin is a petroleum province tectonically defined by a fold and thrust belt to the south and a passive margin to the north. A structural axis known as the Barrow arch separates the Colville foreland basin from the Alaska passive margin. Most of the oil and gas accumulations in the North Slope Basin are within the Colville foreland basin. Project Peregrine is in the Colville foreland basin directly to the north of the northern limit of the fold and thrust belt, Figure 3-1.



Figure 3-1: Project Peregrine location and structural setting

A representative line of section through the North Slope Basin indicating the tectonic setting of Project Peregrine is provided on Figure 3-2.

² Modified from Bird & Houseknecht, Geology and petroleum potential of the Arctic Alaska petroleum province

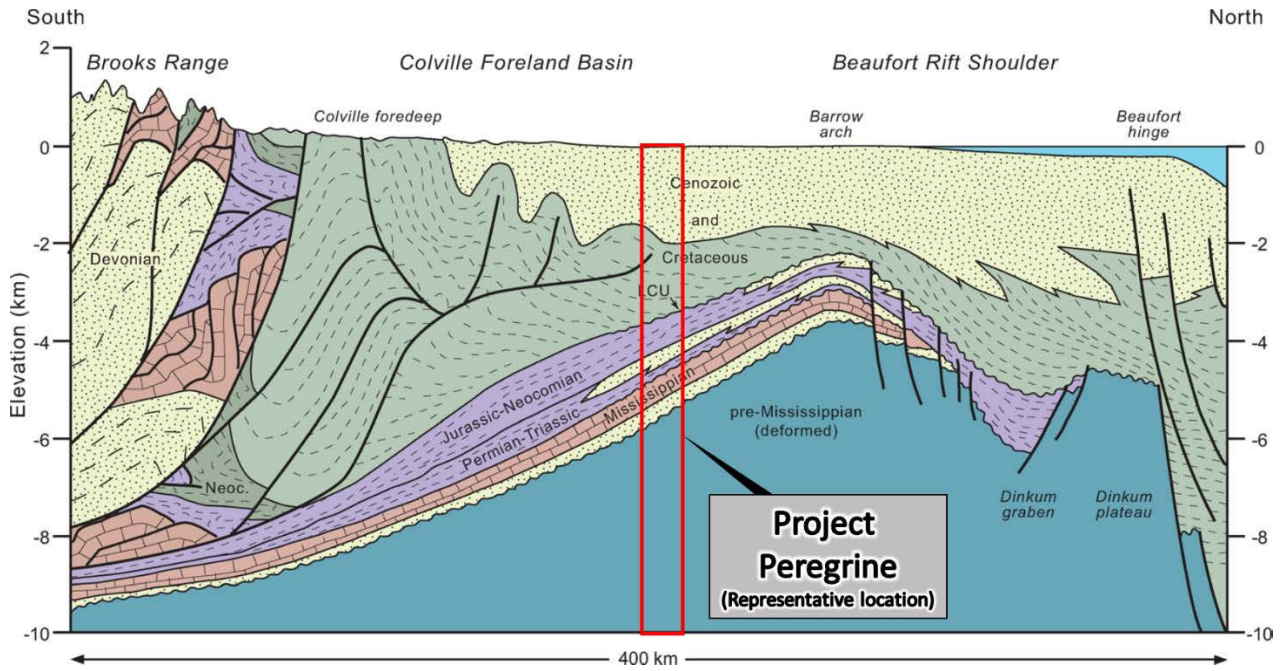


Figure 3-2: Cross section through the North Slope Basin²

The stratigraphy of the North Slope Basin is presented in Figure 3-3.

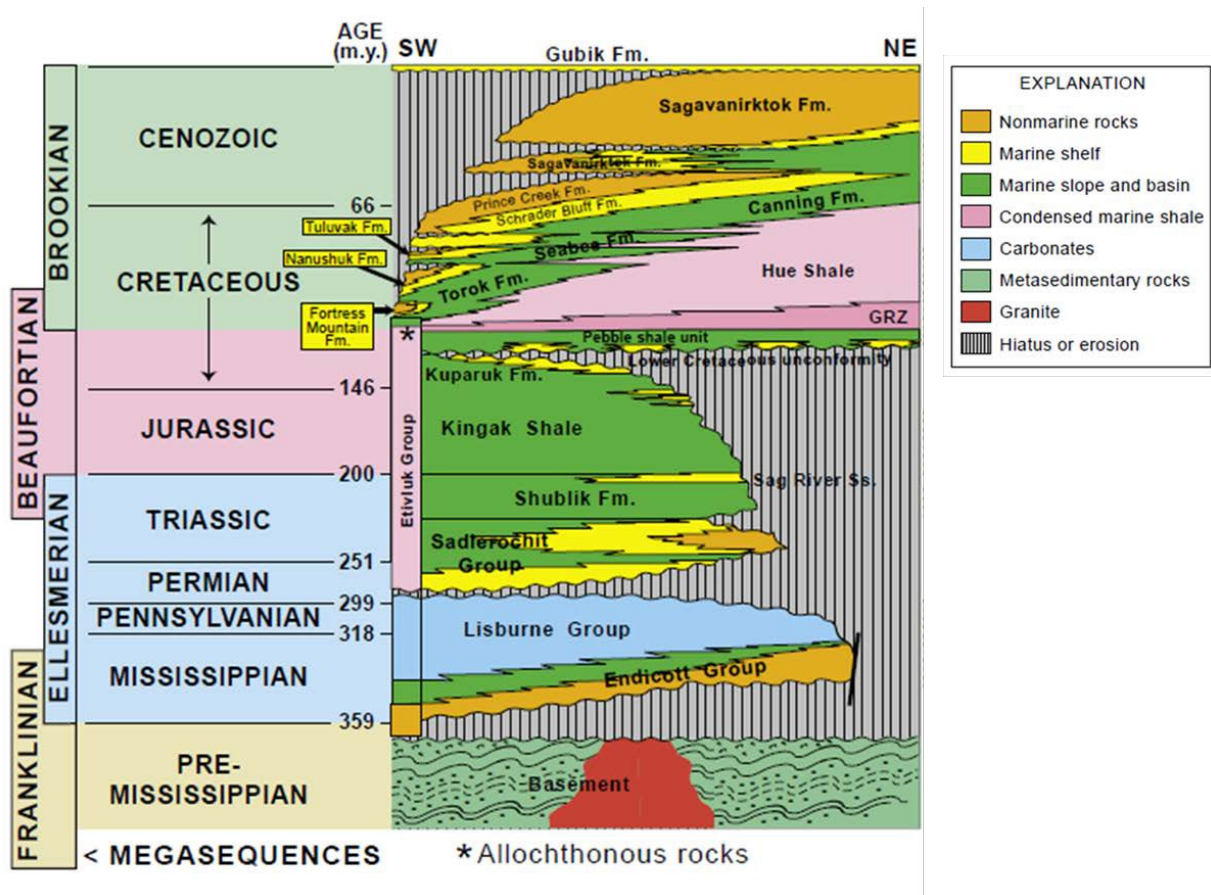


Figure 3-3: Stratigraphy of the North Slope Basin³

Project Peregrine targets the Cretaceous aged Brookian play, namely the Nanushuk Formation, and the deeper Torok Formation. The project sits on-trend with hydrocarbon discoveries in top-sets of the Nanushuk clinoforms, (Figure 3-4).

³ Modified by XCD, Originally from Bird & Houseknecht, Geology and petroleum potential of the Arctic Alaska petroleum province

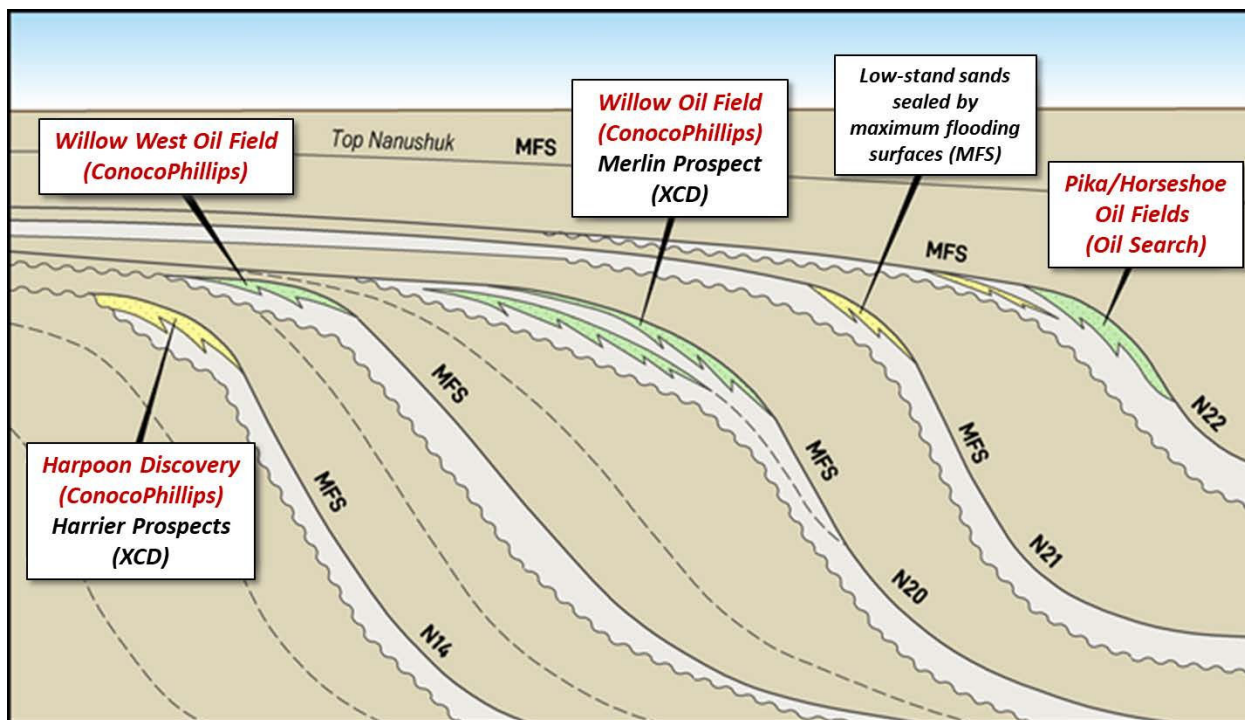


Figure 3-4: Clinoform trends of the Nanushuk play and the respective location of fields and the XCD prospects
 Seismic examples through the Willow discovery and XCD’s Merlin prospect are provided in Figure 3-5.

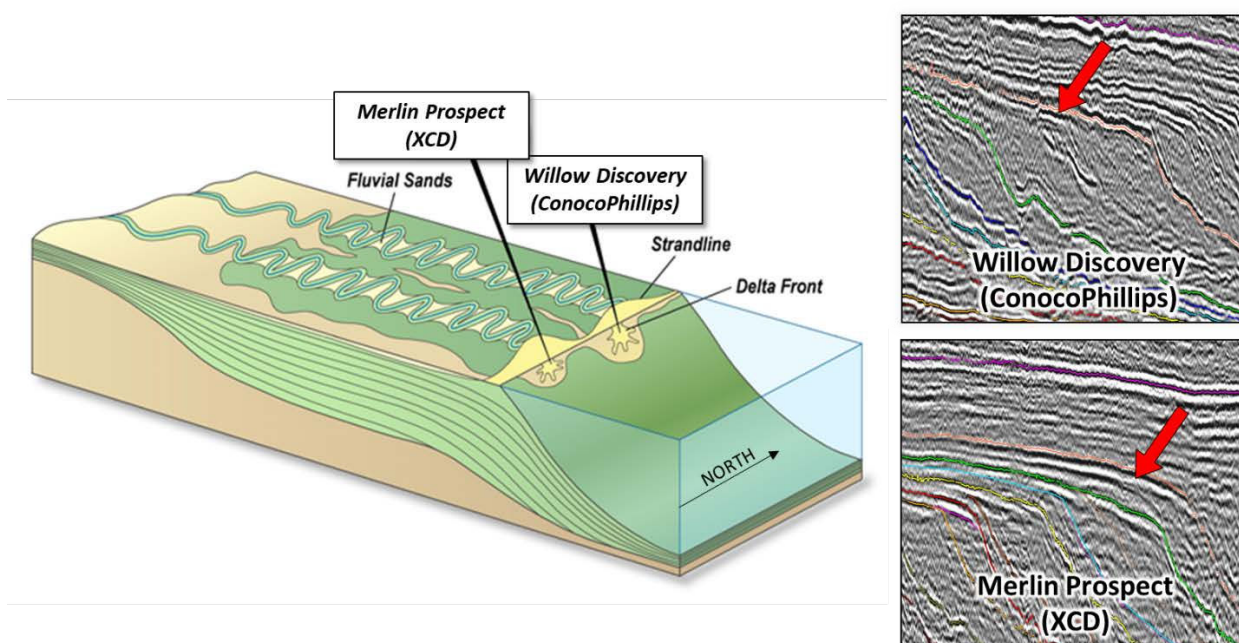


Figure 3-5: Depositional model of the Nanushuk play and seismic examples from the Willow discovery and Merlin prospect
 The proximity of the nearby analogous fields to Project Peregrine is shown on Figure 3-6. The Merlin prospect sits on trend with the Willow discovery. The Harrier prospect sits on trend with the recent Harpoon discovery.

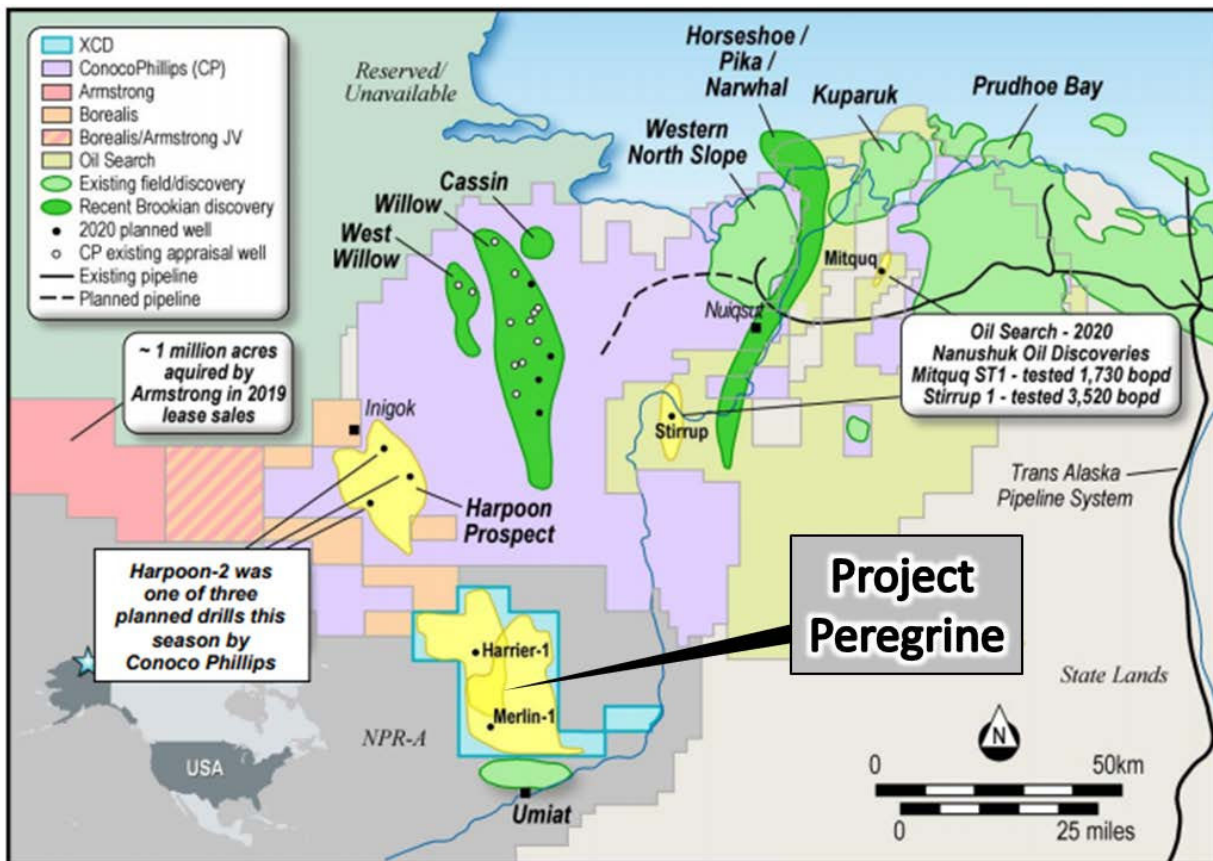


Figure 3-6: XCD acreage in relation to current North Slope Basin operators and activity⁴

⁴ It should be noted that the Umiat field to the south of the XCD leases is a different play concept to the Brookian play. The Umiat field is a detachment-anticline trap located at the northern limit of the fold and thrust belt.

4. Project Peregrine

4.1. Lease details

XCD has a 100% working interest in seventeen exploration leases in the North Slope Basin. The exploration lease areas total 195,373 acres. The leases have a 1.3% overriding royalty on them and the government royalty is 12.5%. The net entitlement interest to XCD is 86.2%, (Table 4-1).

Table 4-1: XCD exploration lease areas

Leases	Area (acres)	Start of current phase	End of current phase	XCD Working interest (%)	XCD Net entitlement (%)
3	35,423	March 2014	March 2024	100	86.2
10	114,167	March 2019	March 2029	100	86.2
4	45,783	March 2020	March 2030	100	86.2

RISC has not undertaken a physical inspection of the asset. This was not deemed necessary as no infrastructure is associated with the asset. RISC is satisfied that sufficient current information is available to allow an informed evaluation to be made without an inspection. Satellite imagery over the leases, provided in Figure 4-1, show that the area is Arctic muskeg with no obvious features that would prohibit future exploration activities such as seismic acquisition or exploration drilling.

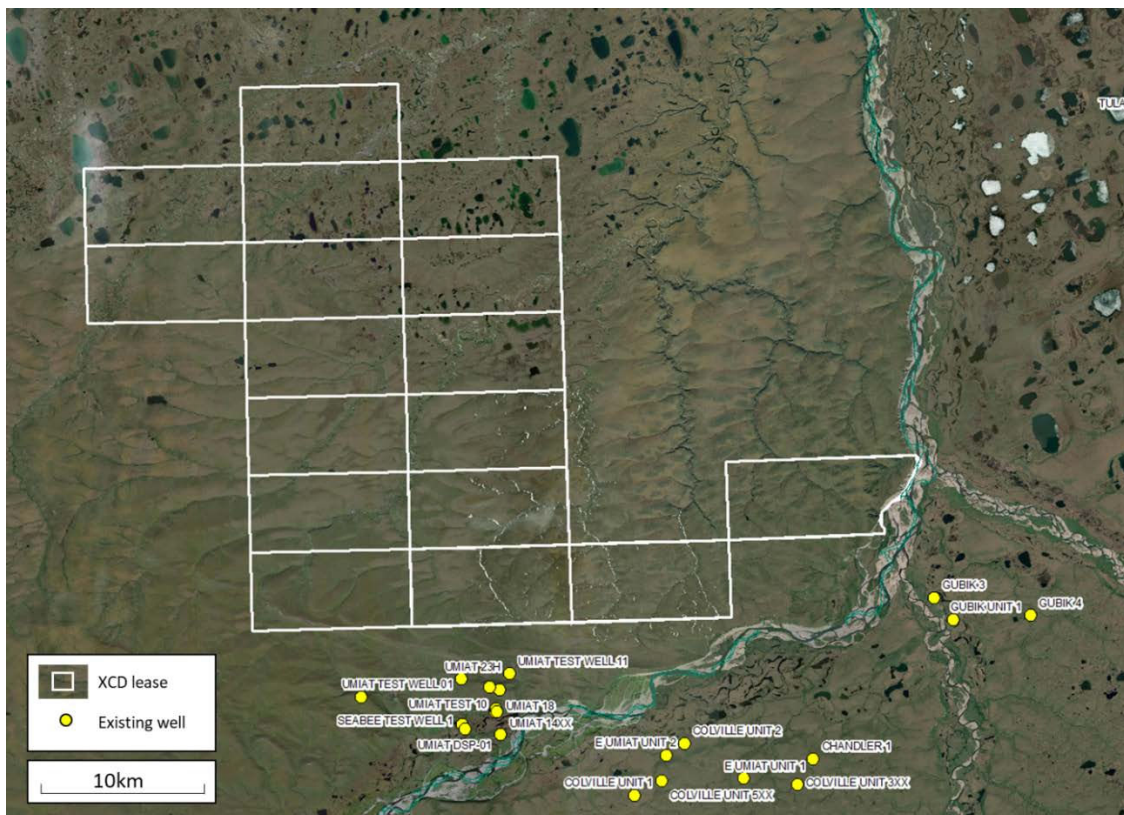


Figure 4-1: Satellite imagery over the XCD leases (Project Peregrine)

4.2. Data

There are nine regional 2D lines that traverse the lease position as shown on Figure 4-2.

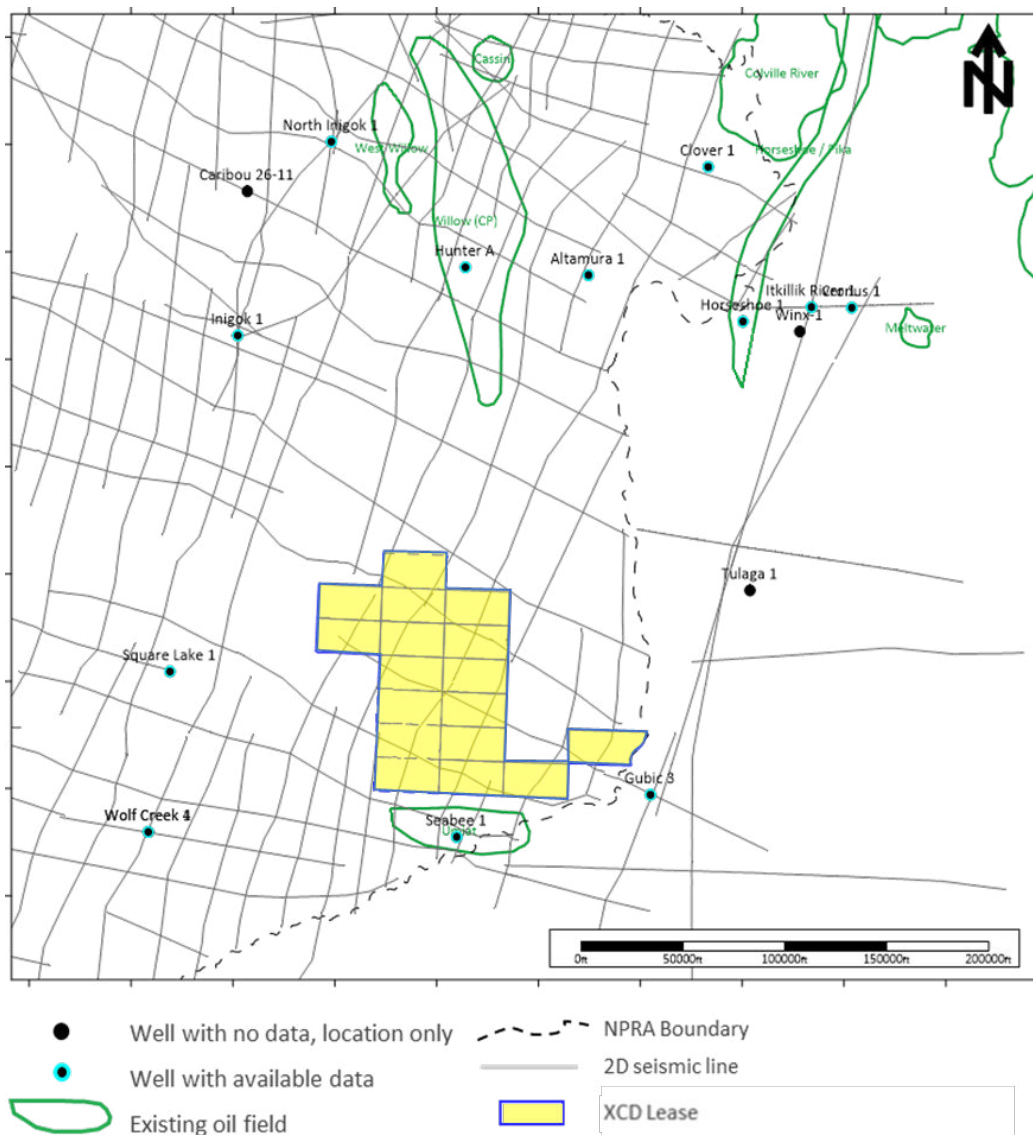


Figure 4-2: Project Peregrine seismic and well database

There are no existing wells on the lease position. RISC considers the area to be exploration immature with very limited data. The seismic data provided by XCD has not been loaded into a workstation and RISC has relied on the interpretations provided in various documents from XCD. This has not affected our opinion or valuation of Project Peregrine.

4.3. Resources estimate

ERCE has provided XCD with an estimate of prospective resources over Project Peregrine. The ERCE prospective resource estimate is provided on Table 4-2.

Table 4-2: ERCE (2020) estimate of prospective resources in Project Peregrine

Project Peregrine	Un-risked prospective resources (MMstb)						Geological chance of success ³
	1U (Low)		2U (Best)		3U (High)		
	Gross ¹	Net ²	Gross	Net	Gross	Net	
Merlin Prospect	48	41	313	270	1,698	1,463	18%
Harrier Prospect	56	48	240	207	1,091	940	15%
Harrier Deep Prospect	48	42	310	267	1,550	1,336	14%

Notes:

- 1) Gross = The 100% working interest on-lease prospective resource estimates.
- 2) Net = Net XCD entitlement calculated as 86.2% after deduction of state royalty (12.5%) and an overriding royalty interest (1.3%).
- 3) The risk estimates from ERCE are the chance of finding hydrocarbons at the P99 level (minimum). Each prospect has multiple reservoir targets. The risk estimate is the lowest risk reservoir target in the prospect.

RISC has not independently verified the resource and risk estimates and has relied on the ERCE estimates in our valuation. The resource and risk estimates appear reasonable.

4.4. Risk (Geological chance of success)

Estimates for geological chance of success were provided in the ERCE report. ERCE estimate the XCD prospects have a range of Geological Chance of Success between 7% and 18%. The lowest risk prospect / highest chance of success is the Merlin prospect. For each prospect, seal was identified as the key risk. This is due to the stratigraphic nature of the prospects and the limited current data to provide confidence on back-seal to the prospects.

4.5. Past costs

XCD has not provided RISC details of past expenditure on the leases. We understand that XCD has undertaken general desktop studies including reprocessing of existing regional 2D seismic, seismic interpretation including building a sequence stratigraphy framework, basin modelling and detailed petrophysical interpretation of surrounding wells. XCD has not acquired any seismic data or drilled any wells over the leases.

4.6. Work programs and commitments

XCD has advised that they have no work commitments on the leases. The leases are held by annual rental costs of US\$ 3 / acre. The annual rental cost to hold the position is US\$ 586,119.

5. Project Peregrine valuation

RISC estimates a fair market value range for Project Peregrine of between US\$ 3 million and US\$ 14.8 million with a best estimate of US\$ 9.6 million, (Table 5-1).

Table 5-1: Valuation of Project Peregrine (US\$ millions)

Asset	Valuation Range (US\$ millions)		
	Low	Best	High
Project Peregrine	3.0	9.6	14.8
Valuation rationale	Farm-in on a 1.2:1 promote	Farm-in on a 1.4:1 promote	Farm-in on a 1.6:1 promote

RISC considered two methods to value Project Peregrine:

- 1) Valuation using farm-in promotion factors;
- 2) Valuation using \$ / acre.

Both valuation methods used comparable transaction analysis. We consider the valuation from farm-in promotion factors to be the most appropriate method to value the project.

5.1. Comparable transaction analysis

To aid in our valuation, comparable transactions on exploration acreage deals have been identified. RISC has used a database compiled by GlobalData for identifying comparable transactions. A transaction was considered comparable if it met the following criteria:

- Conventional asset transactions in Alaska;
- Assets in the exploration stage as opposed to contingent resources, reserves and producing assets;
- Transactions occurring since the start of 2015;
- Transactions where the value has been disclosed.

Onshore Alaska has seen a modest amount of exploration farm-out activity in the last five years stimulated by new exploration discoveries in the area. The list of comparable transactions is presented in Table 5-2.

Table 5-2: Comparable transactions in the period January 2015 – May 2020 (GlobalData)

Date	Buyer	Seller	Total transaction value US\$ million	Acquired stake (%)	Farm-in promote X:1 (assumed)	Brief
Feb 2020	Armstrong Energy	Borealis Alaska Oil		72%	1.39	Armstrong acquires a 72 percent working interest in Borealis Alaska Oil's Castle West Prospect (92,000 acres) in the highly prospective Nanushuk Play Fairway.
Aug 2019	Premier Oil	88 Energy; Burgundy Xploration	23.00	60%	1.67	Premier Oil completes acquisition of 60% interest in Area A of Project Icewine acreage In Alaska from 88 Energy and Burgundy Xploration
Nov 2018	Oil Search	Armstrong Energy	8.00	100%	Sale	Oil Search completes acquisition of 50% Interest in oil and gas assets In Alaska North Slope from Armstrong Energy for US\$8 Million
Nov 2018	XCD Energy	Elixir Energy	3.61	100%	Sale	Entek Energy (XCD) completes acquisition of 100% interest in oil and gas leases in Alaska from Elixir
Sep 2018	88 Energy	Great Bear Petroleum	0.21	69%	1.45	88 Energy to acquire 69.1% Interest In 24,269 Acres in Alaska from Great Bear Petroleum for US\$0.21 Million
Sep 2018	Elixir Energy	Undisclosed	0.80	100%	Sale	Elixir Petroleum completes acquisition of oil and gas leases in Alaska
Jun 2018	88 Energy; Otto Energy; Red Emperor Resources	Pantheon Resources	4.00	79%	1.26	88 Energy, Otto Energy, And Red Emperor complete acquisition of 79.2% working interest In Western Blocks in Alaska from Great Bear Petroleum
Nov 2015	Undisclosed	Royale Energy	2.00	100%	Sale	Royale Energy completes sale of Western Block Acreage in Alaskan North Slope for US\$2 Million
Average promote in comparable transactions:					1.44	
NOTE: Shaded rows indicate a transaction on the Project Peregrine leases						

The average promote in comparable transactions in the area has been calculated as 1.44 : 1.

5.2. Valuation using farm-in promotion factors

The valuation using farm-in promotion factors assumes hypothetical farm-in scenarios.

In early 2020 XCD began a farm-out effort to attract potential investors into Project Peregrine. Two conceptual deal frameworks were considered by XCD. One farm-out scenario considered a company farming-in and paying a disproportionate amount on 3D seismic acquisition to de-risk the prospects prior to drilling. The estimated cost for 3D seismic acquisition over the leases is US\$ 15 million. A second farm-out scenario considered a lower-cost drilling model using a low-classification exploration rig and drilling two exploration wells on the project on the existing 2D seismic data. The cost of two exploration wells is also estimated at US\$ 15 million. These scenarios also envisaged the incoming farminee paying a share of XCD's acquisition costs (estimated to be US\$ 3.6 million (Table 5-2)).

In light of current market factors we have discounted the likely promotion factors achievable in the current environment and used a market-adjusted range of promotion factors in our valuation, (Table 5-3).

Table 5-3: Range of market-adjusted farm-in promotion factors used in our valuation

Market adjusted farm-in promotion factors	Low	Best	High
Range	1.2 : 1	1.4 : 1	1.6 : 1

The farm-in promotion factors determine the earned interest in the project. For example, a promotion factor of 1.4 : 1, with the farminee paying 100% of costs, calculates to the farminee earning 71% equity in the project, and carrying the farmor for the remaining 29% equity ($100\% / 1.4 = 71\%$). The buyer premium is calculated by multiplying the carried interest (29%) by the farm-in scenario cost (US\$ 15 million) ($29\% \times \text{US\$ } 15 \text{ million} = \text{US\$ } 4.3 \text{ million}$). The farmout scenario has also included the potential reimbursement of some of XCD's acquisition costs (US\$ 3.6 million). In the best case, we have assumed a farm-in scenario where the farminee will reimburse XCD for their earned equity share (71%) of the initial transaction costs ($71\% \times \text{US\$ } 3.6 \text{ million} = \text{US\$ } 2.6 \text{ million}$). The Transaction Value is the addition of the buyer premium and the amount of the acquisition cost reimbursed. The Project Value is calculated by grossing up the transaction value to 100% (Transaction Value / implied equity interest earned).

Our valuation calculation using our selected range of farm-in promotion factors is presented in Table 5-4.

Table 5-4: Valuation from farm-in promotion factors

Farm-out Scenario: Future commitments (gross)	All costs in US\$ millions		
Drilling of two exploration wells or 3D seismic acquisition	\$15.00		
	Low	Best	High
Promotion Factor range from comparable transaction analysis (X:1)	1.2	1.4	1.6
Paying interest (assumed)	100%	100%	100%
Implied equity interest earned in the project (from comparable transaction analysis)	83%	71%	63%
Carried interest	17%	29%	38%
Buyer Premium (i.e. carried interest x scenario costs (\$15.00))	\$2.5	\$4.3	\$5.6
Reimbursement of initial transaction cost. Buyer pays (assumption)	None	Equity share	100%
Initial transaction cost reimbursed	\$0.00	\$2.6	\$3.6
Transaction Value (i.e. Buyer Premium + Initial transaction cost reimbursed)	\$2.5	\$6.9	\$9.2
Project Value – Transaction Value / Implied equity interest earned	\$3.0	\$9.6	\$14.8

5.3. Valuation using \$/acre

A \$ / acre calculation was also considered as a valuation method.

The comparable transactions for the area (in which \$ /acre can be established) are presented in Table 5-5.

Table 5-5: Comparable transactions (\$/acre) in the period January 2015 – May 2020

Date	Buyer	Seller	Total transaction value US \$ million	Acquired stake (%)	Net Acres acquired	US\$ / acre
Nov 2018	XCD Energy	Elixir Energy	3.61	100%	149,590	24.1
Sep 2018	88 Energy	Great Bear Petroleum	0.21	69%	16,770	12.5
Nov 2015	Undisclosed Company	Royale Energy	2.00	100%	39,500	50.6
Average US\$ / acre in comparable transactions:						29.0
Note: Shaded rows indicate a transaction on the Project Peregrine leases						

The average \$ / acre for comparable transactions is calculated at US\$ 29 / acre. For our analysis, and in light of current market factors, we discounted the likely \$ / acre value achievable in the current environment and used a market adjusted range of \$ / acre values in our valuation, (Table 5-6).

Table 5-6: Range of market adjusted US\$ / acre estimates used in our valuation

	Low	Best	High
US\$ / acre range	10	20	40

Our valuation calculation from \$ / acre is presented in Table 5-7.

Table 5-7: Valuation from \$ / acre calculation

US\$ / acre	Low	Best	High
US\$ / acre range	10	20	40
Project Peregrine lease acres	195,373	195,373	195,373
Project Peregrine value in US\$ Millions based on \$ / acre	2.0	3.9	7.8

The \$ / acre calculation does not consider the quality, or potential for exploration success, of lease positions, and the proximity of lease positions to nearby exploration activity. We consider XCD has acquired their lease position at very low cost considering the potential of the leases. Additionally, given recent on-trend exploration success, it is our opinion that the \$ / acre valuation under-estimates the value of Project Peregrine.

5.4. Valuation summary

RISC considered two valuation methods as described in Section 2.1.3. Given the lack of significant sunk costs, lack of work program commitments, and the technical immaturity of the asset, valuation using comparable transactions was considered most appropriate.

The asset was valued using farm-in promotion factors and \$ / acre from comparable transactions.

The North Slope Basin or Alaska has shown significant farm-in interest in recent years due to notable exploration success. Project Peregrine is on trend with recent discoveries and we consider the project would have had an excellent chance of being farmed out on promoted terms comparable to recent transactions in the area. As such, we considered farm-in promotion factors to be the most appropriate method for the valuation.

The valuation range provided on Table 5-1 is our independent assessment of the current market value of Project Peregrine. The range represents our estimate of the value that Project Peregrine would change hands for as of the date of this report in an open and unrestricted market between a willing buyer and a willing seller in an ‘arm’s length’ transaction, with each party acting knowledgeably, prudently and without compulsion.

5.5. Valuation assumptions

Our valuation has assumed that Project Peregrine has the quality and attractiveness to be farmed-out on a promoted basis in a transaction comparable to recent market activity seen in the North Slope Basin. In our analysis we used a range of potential farm-in promotion factors which we have judged appropriate given current market conditions and comparable transaction analysis. The wide valuation range is due to the exploratory nature of the asset, the dependency on a successful farm-out, and current investment uncertainty in the oil and gas sector.

6. Declarations

6.1. Qualifications

RISC is an independent oil and gas advisory firm. The RISC staff engaged in this assignment include qualified petroleum reserves and resources evaluators as specified in ASX listing rules, engineers, geoscientists and commercial analysts, each with many years of relevant experience and most have in excess of 20 years.

RISC was founded in 1994 to provide independent advice to companies associated with the oil and gas industry. Today the company has approximately 40 highly experienced professional staff at offices in Perth and Brisbane, Jakarta and London. Our services cover the entire range of the oil and gas business lifecycle and include:

- Oil and gas asset valuations, expert advice to banks for debt or equity finance;
- Exploration/Portfolio management;
- Field development studies and operations planning;
- Reserves assessment and certification, peer reviews;
- Gas market advice;
- Independent Expert/Expert Witness;
- Strategy and corporate planning.

The preparation of this report has been undertaken by **Mr Ian Cockerill**, Head of Geoscience. Ian is a Petroleum Geologist with 20 years of experience and a successful record of value creation through oil and gas discoveries, new venture development, and asset / corporate promotion. Ian has a background in geological and geophysical interpretation with experience in conventional and unconventional exploration and development projects in a wide range of geological settings. He has worked in technical positions for Hunt Oil and Apache Energy and in executive positions for Transerv Energy, Verona Energy and TSV Montney. Ian is a member of the Petroleum Exploration Society of Australia (PESA), American Association of Petroleum Geologists (AAPG), Petroleum Exploration Society of Great Britain (PESGB), South East Asia Petroleum Exploration Society (SEAPEX) and the Canadian Society of Petroleum Geologists (CSPG). Ian has an MSc. in Basin Evolution and Dynamics from Royal Holloway College, University of London, UK (1999) and a BSc. Geological Sciences with 1st Class (Honours) from the University of Leeds, UK (1996). Ian is a qualified petroleum reserves and resources evaluator (QPPRE) as defined by ASX listing rules and is a full-time employee of RISC.

6.2. ASIC Regulatory Guides and VALMIN

This Report has been prepared by RISC in accordance with the Australian Securities and Investment Commission (ASIC) Regulatory Guides 111 and 112 and the VALMIN Code 2015.

6.3. Petroleum Resources Management System

In the preparation of this Report, RISC has applied the guidelines and definitions of the Petroleum Resources Management System approved by the Board of the Society of Petroleum Engineers in 2018 (PRMS).

6.4. Report to be presented in its entirety

RISC has been advised by BDO that this report will be presented in its entirety without summarisation. RISC provides consent for BDO to use this report in the form and context in which it will be published.

6.5. Independence

This report does not give and must not be interpreted as giving, an opinion, recommendation or advice on a financial product within the meaning of section 766B of the Corporations Act 2001 or section 12BAB of the Australian Securities and Investments Commission Act 2001.

RISC is not operating under an Australian financial services licence in providing this report.

In accordance with regulation 7.6.01(1)(u) of the Corporations Regulation 2001. RISC makes the following disclosures:

- RISC is independent with respect to XCD and confirms that there is no conflict of interest with any party involved in the assignment;
- Under the terms of engagement between RISC and BDO for the provision of this report, RISC received a fixed fee of A\$25k from XCD. No part of the fee was contingent on the conclusions reached, or the content or future use of this report. Except for this fee, RISC has not received and will not receive any pecuniary or other benefit whether direct or indirect for or in connection with the preparation of this report;
- Neither RISC nor any of its personnel involved in the preparation of this report has any material interest in XCD or in any of the properties described herein;
- RISC has not provided advice to XCD specifically in relation to the Proposed Transaction.
- RISC has not prepared any previous reports for XCD over the last two years.

6.6. Limitations

The assessment of petroleum assets is subject to uncertainty because it involves judgments on many variables that cannot be precisely assessed, including reserves, future oil and gas production rates, the costs associated with producing these volumes, access to product markets, product prices and the potential impact of fiscal/regulatory changes.

The statements and opinions attributable to RISC are given in good faith and in the belief that such statements are neither false nor misleading. In carrying out its tasks, RISC has considered and relied upon information obtained from XCD as well as information in the public domain.

The information provided to RISC has included both hard copy and electronic information supplemented with discussions between RISC and senior XCD staff.

Whilst every effort has been made to verify data and resolve apparent inconsistencies, we believe our review and conclusions are sound, but neither RISC nor its servants accept any liability, except any liability which cannot be excluded by law, for its accuracy, nor do we warrant that our enquiries have revealed all of the matters, which an extensive examination may disclose. We believe our review and conclusions are sound, but no warranty of accuracy or reliability is given to our conclusions.

Our review was carried out only for the purpose referred to above and may not have relevance in other contexts.

This report was substantially completed by 19 May 2020. We are not aware of any changes since that date that would have a material impact on the values and opinions contained within this report.

6.7. Consent

RISC has consented to this report, in the form and context in which it appears, being included in the independent expert report. Neither the whole nor any part of this report nor any reference to it may be included in or attached to any other document, circular, resolution, letter or statement without the prior consent of RISC.

This Report is authorised for release by Ian Cockerill dated 19 May 2020.

A handwritten signature in black ink, appearing to be "Ian Cockerill", written in a cursive style.

Ian Cockerill

Head of Geoscience

7. List of terms

7.1. Abbreviations

The following table lists abbreviations commonly used in the oil and gas industry and which may be used in this report.

Term	Definition
1P	Equivalent to Proved reserves or Proved in-place quantities, depending on the context.
1Q	1st Quarter
2P	The sum of Proved and Probable reserves or in-place quantities, depending on the context.
2Q	2nd Quarter
2D	Two dimensional
3D	Three dimensional
4D	Four dimensional
3P	The sum of Proved, Probable and Possible reserves or in-place quantities, depending on the context.
3Q	3rd Quarter
4Q	4th Quarter
AFE	Authority for expenditure
bbl	US barrel
bbl/d	US barrels per day
Bcf	Billion (10 ⁹) cubic feet
Bcm	Billion (10 ⁹) cubic meters
BFPD	Barrels of fluid per day
BOPD	Barrels of oil per day
BTU	British thermal units
BOEPD	US barrels of oil equivalent per day
BWPD	Barrels of water per day
°C	Degrees Celsius
Capex	Capital expenditure
CAPM	Capital asset pricing model
CGR	Condensate gas ratio
CO ₂	Carbon dioxide
cP	Centipoise
CPI	Consumer price index
DEG	Degrees
DHI	Direct hydrocarbon indicator
DST	Drill stem test
E&P	Exploration and production
EMV	Expected monetary value
EOR	Enhanced oil recovery
ESMA	European Securities and Markets Authority
ESP	Electric submersible pump

Term	Definition
EUR	Estimated ultimate recovery
F	Degrees Fahrenheit
FDP	Field development plan
FEED	Front end engineering and design
FID	Final investment decision
FM	Formation
FPSO	Floating production, storage and offtake unit
FWL	Free water level
FVF	Formation volume factor
GIIP	Gas initially in place
GJ	Gigajoules (10^9 J)
GOC	Gas-oil contact
GOR	Gas oil ratio
GRV	Gross rock volume
GSA	Gas sales agreement
GTL	Gas to liquid(s)
GWC	Gas water contact
H ₂ S	Hydrogen sulphide
HHV	Higher heating value
ID	Internal diameter
IRR	Internal rate of return
JV(P)	Joint venture (parties)
Kh	Horizontal permeability
km ²	Square kilometres
Krw	Relative permeability to water
Kv	Vertical permeability
kPa	Kilopascals (thousand Pascal)
Mstb/d	Thousand stock tank barrels per day
LIBOR	London inter-bank offered rate
LNG	Liquefied natural gas
LTBR	Long-term bond rate
m	Metres
MDT	Modular dynamic (formation) tester
mD	Millidarcies
MJ	Megajoules (10^6 J)
MMbbl	Million US barrels
MMscf(/d)	Million standard cubic feet (per day)
MMstb	Million US stock tank barrels
MOD	Money of the day (nominal dollars)
MOU	Memorandum of understanding
MMcfe	Millions of Cubic Feet Equivalent
Mscf	Thousand standard cubic feet

Term	Definition
Mstb	Thousand US stock tank barrels
MPa	Megapascal (10^6 Pa)
mss	Metres subsea
MSV	Mean success volume
mTVDss	Metres true vertical depth subsea
MW	Megawatt
NPV	Net present value
NTG	Net to gross
ODT	Oil down to
OGIP	Original gas in place
OOIP	Original oil in place
Opex	Operating expenditure
OWC	Oil-water contact
P & A	Plug and Abandon (abandonment of wells)
PBU	Pressure bXCDd-up
PJ	Petajoules (10^{15} J)
POS	Probability of success
PRMS	Petroleum Resources Management System
PSC	Production sharing contract
PSDM	Pre-stack depth migration
PSTM	Pre-stack time migration
psia	Pounds per square inch pressure absolute
p.u.	Porosity unit
PVT	Pressure, volume and temperature
QA/QC	Quality assurance/ control
rb/stb	Reservoir barrels per stock tank barrel (at standard conditions)
RFT	Repeat formation tester
RT	Rotary table or real terms, depending on context
SC	Service contract
scf	Standard cubic feet (measured at 60 degrees F and 14.7 psia)
Sg	Gas saturation
Sgr	Residual gas saturation
SRD	Seismic reference datum lake level
SPE	Society of Petroleum Engineers
s.u.	Fluid saturation unit
stb	Stock tank barrels
STOIIP	Stock tank oil initially In place
Sw	Water saturation
TCM	Technical committee meeting
Tcf	Trillion (10^{12}) cubic feet
TJ	Terajoules (10^{12} J)
TLP	Tension leg platform

Term	Definition
TRSSV	Tubing retrievable subsurface safety valve
TVD	True vertical depth
US\$	United States dollar
US\$ million	Million United States dollars
WACC	Weighted average cost of capital
WHFP	Well head flowing pressure
WPC	World Petroleum Council
WTI	West Texas Intermediate

7.2. Definitions

The following table lists some definitions for terms commonly used in the oil and gas industry and which may be used in this report.

Term	Definition
Contingent Resources	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources are a class of discovered recoverable resources as defined in the SPE-PRMS.
Discount Rate	The interest rate used to discount future cash flows into a dollars of a reference date
Expectation	The mean of a probability distribution.
P90, P50, P10	90%, 50% & 10% probabilities respectively that the stated quantities will be equalled or exceeded. The P90, P50 and P10 quantities correspond to the Proved (1P), Proved + Probable (2P) and Proved + Probable + Possible (3P) confidence levels respectively if probabilistic techniques are used.
Possible Reserves	As defined in the SPE-PRMS, an incremental category of estimated recoverable volumes associated with a defined degree of uncertainty. Possible Reserves are those additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P) which is equivalent to the high estimate scenario. When probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.
Probable Reserves	As defined in the SPE-PRMS, an incremental category of estimated recoverable volumes associated with a defined degree of uncertainty. Probable Reserves are those additional Reserves that are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.
Prospective Resources	Those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations as defined in the SPE-PRMS.
Proved Reserves	As defined in the PRMS, an incremental category of estimated recoverable volumes associated with a defined degree of uncertainty Proved Reserves are those quantities of petroleum, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. If deterministic methods

Term	Definition
	are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate. Often referred to as 1P, also as “Proven”.
Reserves	Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status.
Working interest	A company’s equity interest in a project before reduction for royalties or production share owed to others under the applicable fiscal terms.