whitebark
ENERGY

**ABN 68 079 432 796**

Condensed consolidated interim financial report

for the six months ended

31 December 2019

## Directors' report

The Directors present their report together with the consolidated financial report for the half-year ended 31 December 2019 and the review report thereon.

**Directors**

The Directors of the Consolidated Entity at any time during or since the end of the half-year to the date of this report are:

| | |
|---|---|
| Charles Morgan | Chairman |
| David Messina | Managing Director |
| Stephen Keenihan | Executive Director |

**Company Secretary**

Kevin Hart

**Company Overview**

Production revenue for the half year was $880,841 (31 December 2018: $1,013,433). The total comprehensive loss for the half year was $1,102,883 (31 December 2018: Loss $636,924). During the half-year no impairment losses were brought to account for capitalised exploration expenditure (31 December 2018: $199,870).

At the end of the half-year the Company had $5,074,449 (30 June 2019: $2,923,228) in cash and at call deposits. Capitalised exploration and evaluation expenditure is $183,495 (30 June 2019: $919,584).

As at 31 December 2019, 3,024,841,371 ordinary shares were on issue in the Consolidated Entity. The number of listed options on issue was 602,695,367 and the number of unlisted options on issue was 168,800,000.

# Review of Operations

## Canadian Operations

### H1 2019/2020

The Company has successfully completed the first stage of its development program at the Wizard Lake Oil Field and is currently working towards the close of the acquisition to attain 100% ownership of the oilfield and facilities after incremental working interest increases following success with Rex-2 and Rex-3. The completion of the two horizontal wells, facility upgrades, pipeline construction and four land acquisitions place the company in a strong position to capitalise on development of the oilfield.

### Wizard Lake Rex Oil Field

(WBE 60% WI AT 31 DECEMBER 2019)

*100% Acquisition*

Whitebark, through wholly owned subsidiary Salt Bush Energy Ltd, executed a Definitive Agreement in December 2019 to acquire the remaining 50% interest in the Wizard Lake Oilfield via a staged payment to Point Loma Resources (PLX) of cash, shares and swapped assets. At the completion of the transaction Whitebark will own 100% of Wizard Lake, and PLX will own 100% of the non-Wizard assets previously held within the PLX Joint Venture.

Step 1 (Completed 24 December 2019) increased Whitebark's interest in the Wizard Lake Oilfield to 60% after a cash payment to PLX of C$1,200,000 and assignment of Whitebark's interest in the other non-core PLXJV assets, in which the company held minority interests, to PLX.

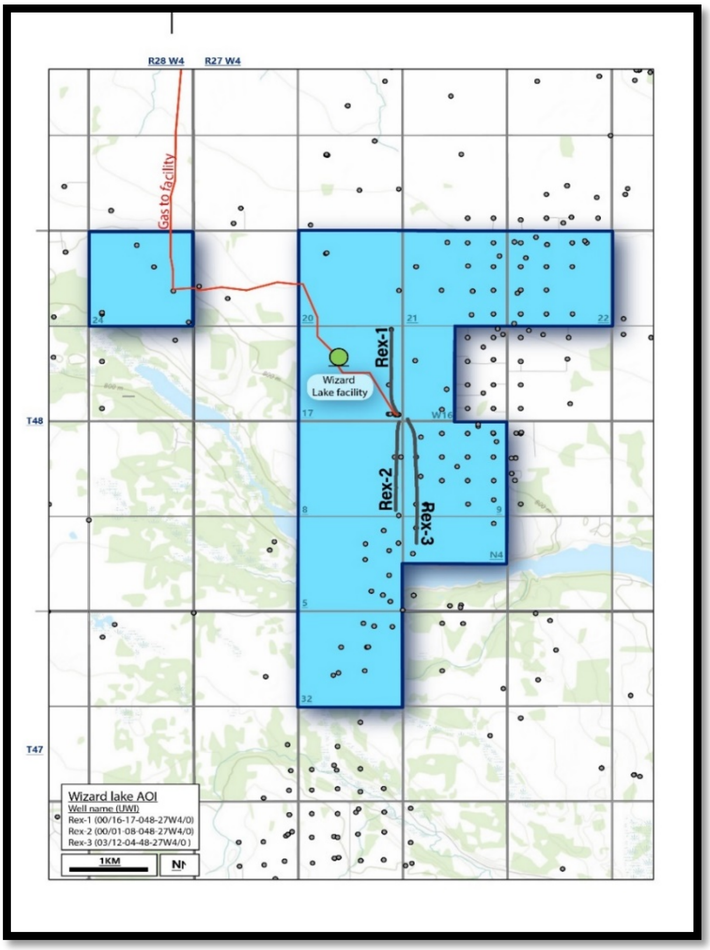


*Figure 1 - Wizard Lake wells, pipeline and land map*

Under the current Agreement, Step 2 will complete the acquisition of the remaining 40% of the Wizard Lake Oilfield prior to 31 March 2020 for C$2,800,000 cash and C$2,000,000 in Whitebark shares. PLX will retain 10% of Rex-1 and 2 until December 2020. Completion of Step 2 is subject to finance and shareholder and Government approvals. Shareholder approvals were received at the General Meeting held on 24 February 2020.

The C$2,000,000 Whitebark Energy Ltd Share component will be issued to PLX in two stages. The Shares will be priced at the 30-day VWAP prior to the Stage 2 closing. The first lot of C$1,000,000 of shares will be held in escrow for four months. The second lot of C$1,000,000 of shares will be held in escrow and only released following the successful transfer of the residual 10% WI in Rex-1 and Rex-2. The Issue of the shares was approved by WBE shareholders at a General Meeting held on 24 February 2020. Whitebark retains the right to settle the share component in cash.

The Wizard Lake Oilfield has been significantly de-risked and sole ownership offers an excellent opportunity for WBE to focus on it and optimize development for shareholder value and build a platform for growth and strong cashflows.

## Development

### *Rex-2 – Exceeded Discovery Well Rex-1*[1]

Rex-2 was successfully drilled to 3033m total length in eight (8) drilling days from spud on 27 July 2019. A successful 35 stage fracture stimulation program was completed in August 2019 using sliding frac sleeves to isolate each zone.

Flowback commenced in early September 2019 and initial clean up flows noted significant amounts of oil and gas at surface. As is the practice by other operators in the area, a high volume, submersible pump was used to assist the recovery of frac fluids and to optimise the oil recovery rate. However, Rex-2 flowed unassisted at rates higher than those experience at Rex-1, underlining the excellent quality reservoir the well penetrated and exceeding expectations.

As Rex-2 continued to clean up, a restricted peak fluid rate of 865 bpd was recorded and comprised 540 bopd accompanied by 2 mmcfd of gas. Sustained oil and gas production rates (free flow) from Rex-2 during the test period enabled the declaration of "commercial production" seven days after testing commenced and seven days earlier than Rex-1.

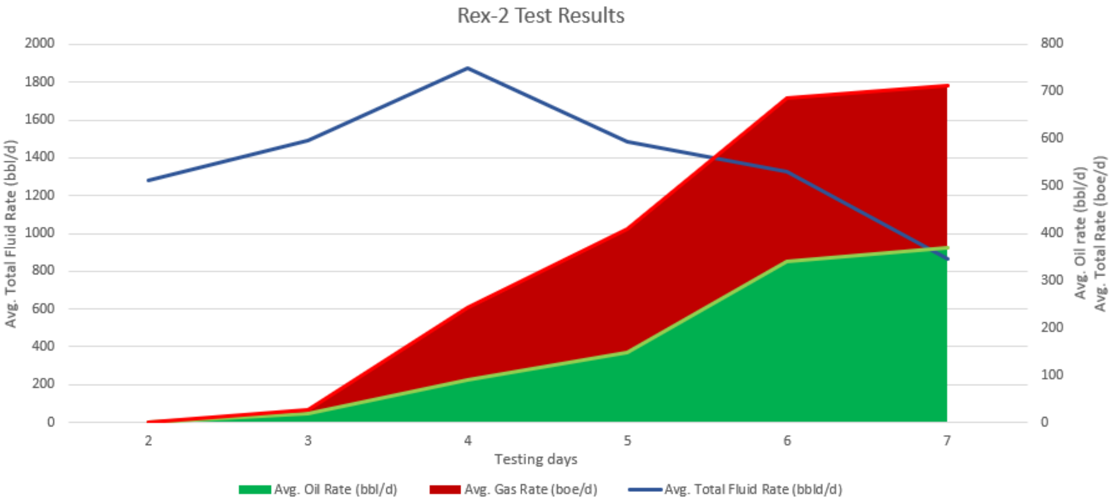


*Figure 2 - Rex-2 test results to 5:00am, 5 September 2019 (Local Perth time)*

The average production rate for the final 24 hours of the Rex-2 test period was approximately 700 boepd (Figure 2), including 350 barrels of 18.5 API bopd. As expected, the extra length of the horizontal section at Rex-2 resulted in higher production rates and a larger reserve booking per well than for Rex-1. Rex-2 peak production outperformed Rex-1 by 154%. Following the test period, the well was constrained by plant limitations and flaring limits.

[1] ASX Release 6 September 2019

## Rex-3 – Performing Beyond Expectations[2]

Rex-3 was successfully drilled to 3673m total length in eight (8) drilling days from spud on 17 November 2019. The planned Rex-3 horizontal leg of 1800m (Rex-1 hz = 1237m, Rex-2 hz = 1500) was extended 298m due to the presence of a continuous reservoir while drilling to the toe. The well encountered excellent quality reservoir with free oil noted on the shakers, oil shows (fluorescence and cut) and elevated gas readings when drilled. Elevated porosity levels ranging up to 23% were also recorded through the sand (Rex-1: 15-18%, Rex-2 – up to 21%).

A successful 46 stage fracture stimulation program was completed in just over 30 hours during December 2019. The 46 stage frac programme placed over 1300 tonnes of proppant into the Rex formation and used sliding frac sleeves to isolate each zone.

Pump assisted cleanup flows of Rex-3 commenced on 12 December with first measured oil recorded at surface after 30.5 hours compared with 42 hours at Rex-2. At the end of 18 hours continuous flow, average rates at Rex-3 were 1084 bopd with 1.16 mmcfd.

As expected, the extra length of the horizontal section at Rex-3 has led to higher oil production rates and likely larger reserve bookings per well than at Rex-1 and Rex-2.

*Figure 3 - Rex-3 during drilling*

As announced on 7 January 2020, Rex-3 flowed oil and gas to surface unassisted. At that time, approximately 30% of the frac fluid had been recovered. The well flowed through an 11.91mm choke to restrain the gas rate to approximately 2 mmcfd and ensure the well could clean up in an optimal manner. Flowing 350 to 450 bopd under this heavy choke, the well continued to clean up with a total water cut of approximately 35%.

## Rex-1 Workover[3]

Due to the strong production achieved from Rex-2, Rex-1 was shut in as the facilities at the time reached capacity. The company took this opportunity to carry out a workover of Rex-1 and investigate the performance difference between the wells.

During the workover, metal debris was encountered in the hole obstructing approximately two thirds of the lateral. The debris, identified as the drill bit and downhole motor of the coil tubing (5m long) was stuck in the hole just prior to Christmas 2018 when the Operator at the time pushed this debris to the toe of the well so that it would not interfere with production. The reason the debris moved uphole is unclear, but it was most likely dragged up the hole during the original recovery operation.

A successful recovery operation by Whitebark's Canadian operating entity, Saltbush Energy, was followed by connection to the upgraded facilities.

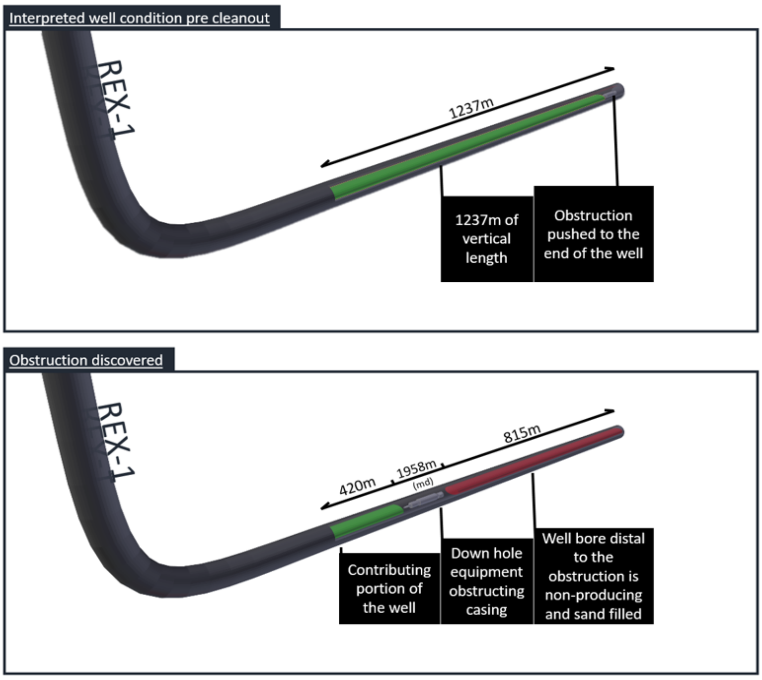


*Figure 4 - Rex-1 Workover*

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[2] ASX Release 16 December 2019
[3] ASX Release 13 November 2019

## *Facilities and Pipeline*

A new pipeline, commissioned as a result of the excellent results from Rex-2, commenced construction on 1 November 2019 and was completed in late December 2019. The new pipeline comprises 2.1km, 6" steel line which is buried its entire length. Whitebark also acquired a key 4.7km pipeline securing access to a pipeline gathering system and gas plant operated by Petrus Resources 14km to the north west, to which Wizard gas will be sent for processing and sales (Figure 1)[4].

The new facilities upgrade work commenced 6 November and was completed and commissioned with the new pipeline in late December 2019[5]. Plant commissioning was carried out using Rex-2 production with Rex-1 added in the following days. The facilities separate the gas from the liquids for sales via the Petrus gas processing facilities. Gas throughput at this stage was held at 2 – 2.5 mmcfd as the wells continued to clean-up and stabilise. Oil throughput uses a heated cascade tank system which uses gravity to separate the oil and water (Figure 5). This system removes up to 99.5% of the water prior to the oil being trucked to receiving stations[6].

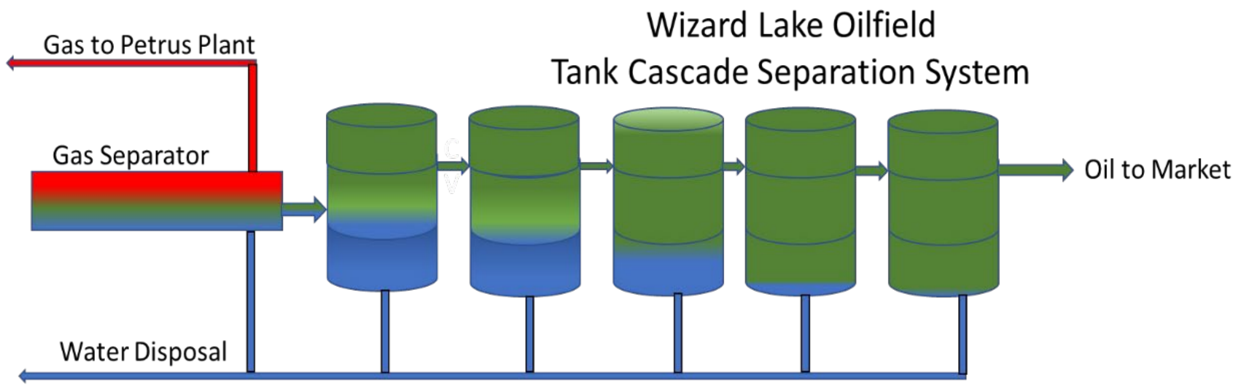


*Figure 5 - Tank Cascade Separation System*

The new expanded facilities are capable of handling 5,000 barrels of fluid a day along with 5mmcfd of gas. Oil will continue to be trucked to market while gas is sent through the newly constructed gas pipeline to the nearby Petrus operated gas processing facility and then on to market (Figure 5 & Figure 6).

*Figure 6 - Installed and commissioned upgraded Wizard Lake Facilities*

[4] ASX Release 1 November 2019
[5] ASX Release 23 December 2019
[6] ASX Release 7 January 2020

## *Production Rates All Wells – February 2020*[7]

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

On 12 March 2020 the Company announced that in response to the significant reduction in the oil price, the Company has taken immediate steps to maximise the long term returns from its Wizard Lake oil field in Alberta, Canada. Production will be constrained to between 550 - 650 barrels of oil per day (bopd) and 3 - 4 million cubic feet of gas per day (mmcfd), which equates to ~1050 - 1315 barrels of oil equivalent per day (boepd). This is to optimise the value of reserves while oil prices remain at low levels, while still generating significant cashflow for the company.

The Company's Wizard Lake Oilfield has now been operating for approximately two months following the upgrade of the surface processing facilities and the addition of an extra well to production. During this time the Company has been able to establish its operating costs, based on production of 600bopd, at CDN$7.50/bbl oil. Key costs include oil and water transport and treatment variable costs of CDN$4.35/bbl, and fixed costs equivalent to CDN$3.15/bbl (equipment rental, labour, maintenance, regulatory etc). Further reductions in fixed costs of approximately $2/bbl are available if the rental equipment is acquired rather than leased. The Company is currently exploring the cost benefit of undertaking this exercise.

## *Wizard Lake Land Position Increases*[8]

During the period, Whitebark increased the company's land position at Wizard Lake adding 2160 acres in four different areas (Figure 7). The first area acquired in a successful land bid added 320 acres to the Wizard Lake land position and provides additional potential drilling opportunities. The second area was acquired in September 2019 adding four potential drilling locations in the core channel.

The third area was acquired in October and is to the northwest of the current field location and contains a well which intercepted a high-quality pay section approximately 10m thick in the Lower Mannville. This vertical well historically produced over 108,000 boe before it was suspended in 2008 due to very low commodity prices. Surrounding well control indicate the subject reservoir section is widespread and the discovered pool extends over the entire section. Importantly, the new section is within 2.5km of the Wizard Lake facilities and the section is traversed by the gas export line which will be transporting Wizard gas to market. Both these features greatly enhance the value of this undeveloped pool. A description of the pool and an estimate of the Contingent Resources held in the land acquired in October are as follows:

*Table 1 - October Acquisition Contingent Resources*

| Parameter | Description | | |
|---|---|---|---|
| **Depth** | 1525m TVD | | |
| **Age** | Cretaceous | | |
| **Formation** | Mannville | | |
| **Reservoir type** | Sandstone | | |
| **Type of Lease** | Crown Lease | | |
| **Company Interest** | 100% | | |
| **Area** | 256 Ha | | |
| **Boe conversion** | 1boe = 6000cft gas | | |
| **Assessment Approach** | Monte Carlo | | |
| **Contingent Resource Estimate** | P90 | P50 | P10 |
| **Recoverable million boe** | 1.15 | 2.36 | 4.83 |
| **Future Work** | Drilling of long reach well once nearby Wizard Lake development activity is completed | | |

The land acquired in December is 1km from the upgraded Wizard Lake facilities and ~400m from the toe of Rex-1. This section closed the gap of land over the pool and contains 12 old wells that were drilled to exploit oil and gas reserves from deeper Devonian Leduc reservoirs. These wells provide invaluable information on the nature and extend of the Rex sands and confirm to be oil bearing. The continued application of horizontal, stimulated well technology successfully used in Rex-1, 2 and 3 is expected to result in commercial flows from these sands in the new land.

[7] ASX Release 17 February 2020
[8] ASX Releases 18 July, 1 October, 28 October & 11 December 2019

Contingent Resources held in the land acquired in December are as follows:

*Table 2 - December Acquisition Contingent Resources*

| Parameter | Description | | |
|---|---|---|---|
| **Depth** | 1525m TVD | | |
| **Age** | Cretaceous | | |
| **Formation** | Mannville | | |
| **Reservoir type** | Sandstone | | |
| **Type of Lease** | Freehold | | |
| **Company Interest** | 100% | | |
| **Area** | 224Ha | | |
| **Boe conversion** | 1boe = 6000cft gas | | |
| **Assessment Approach** | Monte Carlo | | |
| **Contingent Resource Estimate** | P90 | P50 | P10 |
| **Recoverable million boe** | 0.5 | 0.8 | 1.4 |
| **Future Work** | Drilling of long reach well once nearby Wizard Lake development activity is completed | | |

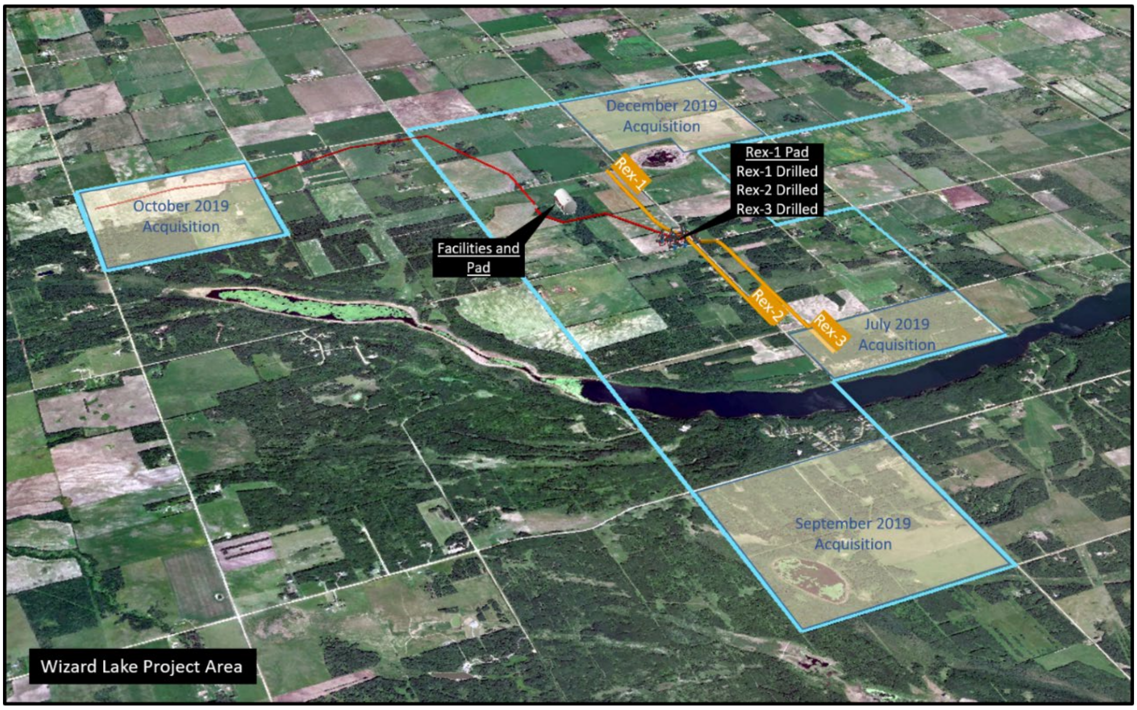


*Figure 7 – Four Land Acquisitions During Reporting Period*

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

The Warro project continues to be in care and maintenance, awaiting Government guidance on the regulatory changes to be made to implement the recommendations of the Fracking Inquiry.

An announcement in July 2019[9] outlined the implementation schedule and the lifting of the moratorium on fracking. Whilst the government has invited the submission of well plans from industry, there is no regulatory regime currently in place that can guide the planning process. The company can now anticipate a time when further work at the field can be considered once the regulatory framework is in place – currently scheduled to be available by the end of 2020. The commercial viability of the field will require a fracture stimulation regulatory regime with fit for purpose processes which delivers approvals in a timely and cost-effective manner.

*The Company confirms that it is not aware of any new information or data that materially affects the information in the relevant ASX releases and the form and context of the announcement has not materially changed.*

[9] ASX Release 16 July 2019

# Corporate

## Capital Raisings

The Company completed two capital raisings in the first half of the 2020 financial year.

The completion of a successful capital raising in September 2019 through a placement to institutional, sophisticated and professional investors (Placement) to raise $3.8m via the issue of 475m fully paid ordinary shares in the capital of Whitebark (Shares). These new funds allowed the Company to accelerate the development of the Wizard Lake Project after the success of the Rex-2 well. In addition to this Placement, the Company undertook a Share Purchase Plan (SPP). Under the SPP, Eligible Shareholders had the opportunity to purchase Shares at the same price as the Placement. The SPP raised $855,000.

In December 2019, The Company raised $5.0 million via a heavily bid Placement. The Placement received strong demand from new and existing institutional, sophisticated and professional investors and was supported by Board, Management and staff for $0.315m.

## Events Subsequent to 31st December 2019

Other than the following matters, there has not arisen in the interval between the end of the reporting period and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect substantially the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial periods;

- At the General Meeting held on 24 February 2020, shareholders approved:
  - the issue of 80,000,000 related party options pursuant to the Company's Share Option Plan;
  - the issue of 4,000,000 related party shares in lieu of a $44,000 cash performance bonus;
  - the issue of shares, the equivalent of C$2,000,000, to Point Loma Resources as part consideration for a 40% interest in the Wizard Lake Oilfield. At the date of this report this acquisition has not yet been completed.
- On 6-15 January 2020, 375,000 ordinary shares were issued on exercise of options.

## The Auditor's Independence Declaration under section 307C of the Corporations Act 2001

The Auditor's Independence Declaration is set out on page 9 and forms part of the Directors' report for the half-year ended 31 December 2019.

Dated at Perth this 13th day of March 2020

Signed in accordance with a resolution of the directors:

David Messina
Managing Director

## Auditors Independence Declaration

KPMG

# Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Whitebark Energy Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Whitebark Energy Limited for the half-year ended 31 December 2019 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Graham Hogg
*Partner*
Perth
13 March 2020

Independent Auditor's Review Report

# Independent Auditor's Review Report

## To the shareholders of Whitebark Energy Limited

## Report on the Condensed Consolidated Interim Financial Report

### Conclusion

We have reviewed the accompanying ***Condensed Consolidated Interim Financial Report*** of Whitebark Energy Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Condensed Consolidated Interim Financial Report of Whitebark Energy Limited is not in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the ***Consolidated Entity's*** financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- Complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Condensed Consolidated Interim Financial Report*** comprises the:

- Condensed consolidated statement of financial position as at 31 December 2019.
- Condensed consolidated statement of profit or loss and other comprehensive income, Condensed consolidated statement of changes in equity and Condensed consolidated statement of cash flows for the half-year ended on that date.
- Notes comprising a summary of significant accounting policies and other explanatory information.
- Directors' Declaration.

The ***Consolidated Entity*** comprises Whitebark Energy Limited (the Company) and the entities it controlled at the half year's end or from time to time during the half-year.

### Material uncertainty related to going concern – emphasis of matter

We draw attention to Note 2(a), "Going concern" in the Condensed Consolidated Interim Financial Report. The conditions disclosed in Note 2(a), indicate a material uncertainty exists that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the Condensed Consolidated Interim Financial Report. Our conclusion is not modified in respect of this matter.

### Responsibilities of the Directors for the Condensed Consolidated Interim Financial Report

The Directors of the Company are responsible for:

- The preparation of the Condensed Consolidated Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*.
- For such internal control as the Directors determine is necessary to enable the preparation of the Condensed Consolidated Interim Financial Report that is free from material misstatement, whether due to fraud or error.

Independent Auditor's Review Report

KPMG

## Auditor's responsibility for the review of the Condensed Consolidated Interim Financial Report

Our responsibility is to express a conclusion on the Condensed Consolidated Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Condensed Consolidated Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2019 and its performance for the half-year that ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Whitebark Energy Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an Interim Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

KPMG

Graham Hogg
*Partner*
Perth
13 March 2020

## Condensed consolidated statement of profit or loss and other comprehensive income

*For the six months ended 31 December 2019*

| | Note | **31 December 2019 $** | 31 December 2018 $ |
|---|---|---|---|
| Revenue | | **880,841** | 1,013,433 |
| Cost of goods sold | | **(717,627)** | (867,347) |
| **Gross Profit/(Loss)** | | **163,214** | 146,086 |
| | | | |
| Other income | | **13,846** | - |
| Finance income | 8 | **58,545** | 24,886 |
| Profit on disposal of assets | 9 | **1,931,987** | 1,379,736 |
| Change in fair value of financial assets | | **(114,843)** | 33,573 |
| | | | |
| **Expenses** | | | |
| Administrative expenses | 10 | **(1,446,410)** | (1,231,085) |
| Finance costs | | **(256)** | (68,961) |
| Impairment expense | | **-** | (199,870) |
| Share based payments expense | | **(19,083)** | - |
| Other operating expenses | 11 | **(1,584,895)** | (761,632) |
| Loss before income tax expense from continuing operations | | **(997,895)** | (677,267) |
| | | | |
| Income tax benefit | | **-** | - |
| | | | |
| Loss after income tax expense for the period | | **(997,895)** | (677,267) |
| | | | |
| **Other comprehensive income/(loss), net of tax** | | | |
| Items reclassified through profit and loss: | | | |
| Foreign currency translation | | **(104,988)** | 40,343 |
| | | | |
| **Total comprehensive loss for the period** | | **(1,102,883)** | (636,924) |
| | | | |
| **Loss per share** | | **cents** | cents |
| Basic and diluted loss per share | | **(0.0445)** | (0.0574) |

The condensed consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the condensed consolidated interim financial report.

*Condensed consolidated statement of financial position*

*For the six months ended 31 December 2019*

| | Note | **31 December 2019 $** | 30 June 2019 $ |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | | **5,074,449** | 2,923,228 |
| Trade and other receivables | 12 | **2,275,312** | 1,289,755 |
| Other current assets | | **102,747** | 155,744 |
| Other investments | | **505,499** | 839,329 |
| Total current assets | | **7,958,006** | 5,208,056 |
| **Non-current assets** | | | |
| Property, plant and equipment | 13 | **9,484,837** | 8,041,123 |
| Exploration and evaluation assets | 14 | **183,495** | 919,584 |
| Goodwill | 20 | **578,696** | - |
| Other receivables | 12 | **4,126,071** | - |
| Total non-current assets | | **14,373,099** | 8,960,707 |
| **Total assets** | | **22,331,105** | 14,168,763 |
| **Current liabilities** | | | |
| Trade and other payables | 15 | **8,568,971** | 1,621,848 |
| Provisions | | **125,807** | 100,391 |
| Total current liabilities | | **8,694,778** | 1,722,239 |
| **Non-current liabilities** | | | |
| Provisions | | **15,698** | 9,927 |
| Decommissioning liabilities | 16 | **2,023,507** | 8,569,740 |
| Total non-current liabilities | | **2,039,205** | 8,578,667 |
| **Total liabilities** | | **10,733,983** | 10,300,906 |
| **Net Assets** | | **11,597,122** | 3,867,856 |
| **Equity** | | | |
| Issued capital | 17 | **67,013,430** | 58,369,150 |
| Reserves | 18 | **1,096,882** | 1,014,004 |
| Accumulated losses | | **(56,513,190)** | (55,515,298) |
| **Total equity** | | **11,597,122** | 3,867,856 |

The condensed consolidated statement of financial position is to be read in conjunction with the notes to the condensed consolidated interim financial report.

## Condensed consolidated statement of changes in equity

*As at 31 December 2019*

| | Share capital A$ | Foreign currency translation reserve A$ | Share based payment reserve A$ | Accumulated losses A$ | Total A$ |
|---|---|---|---|---|---|
| Balance at 1 July 2019 | 58,369,150 | 247,035 | 766,969 | (55,515,295) | 3,867,859 |
| Loss for the period | - | - | - | (997,895) | (997,895) |
| Other comprehensive loss for the period net of income tax | - | (104,988) | - | - | (104,988) |
| Total comprehensive loss for the period | - | (104,988) | - | (997,895) | (1,102,883) |
| Net proceeds from share issue, net of cost | 8,644,280 | - | - | - | 8,644,280 |
| Share option expense | - | | 187,866 | - | 187,866 |
| **Balance at 31 December 2019** | **67,013,430** | **142,047** | **954,835** | **(56,513,190)** | **11,597,122** |
| | | | | | |
| Balance at 1 July 2018 | 54,382,657 | 71,702 | 685,224 | (51,439,852) | 3,699,731 |
| Loss for the period | - | - | - | (677,267) | (677,267) |
| Other comprehensive income for the period net of income tax | - | 40,343 | - | - | 40,343 |
| Total comprehensive loss for the period | - | 40,343 | - | (677,267) | (636,924) |
| Net proceeds from share issue | 2,062,905 | - | - | - | 2,062,905 |
| Share option expense | - | - | 50,758 | - | 50,758 |
| **Balance at 31 December 2018** | **56,445,562** | **112,045** | **735,982** | **(52,117,119)** | **5,176,470** |

The condensed consolidated statement of changes in equity is to be read in conjunction with the notes to the condensed consolidated interim financial report.

## Condensed consolidated statement of cashflow

*For the six months ended 31 December 2019*

| | 31 December 2019 $ | 31 December 2018 $ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Receipts from customers | **985,197** | 624,856 |
| Interest received | **5,972** | 11,956 |
| Payment for production, suppliers and employees | **(3,023,079)** | (1,868,673) |
| Net cash flows (used in)/provided by operating activities | **(2,031,910)** | (1,231,861) |
| **Cash flows from investing activities** | | |
| Proceeds from sale of tenements | **-** | 2,173,597 |
| Proceeds from sale of securities | **235,124** | - |
| Payment for 10% interest in Wizard Lake | **(1,312,336)** | - |
| Payment for tenements | **(142,730)** | (3,279) |
| Payment for development | **(974,577)** | (86,950) |
| Payment for development paid on behalf of Joint Venture | **(2,274,013)** | - |
| Payments for exploration assets | **(151,587)** | (76,766) |
| Net cash flows used in investing activities | **(4,620,119)** | 2,006,602 |
| **Cash flows from financing activities** | | |
| Proceeds from share placement | **8,812,313** | 2,062,906 |
| Net cash flows from financing activities | **8,812,313** | 2,062,906 |
| Net increase/decrease in cash and cash equivalents | **2,160,284** | 2,839,647 |
| Cash at the beginning of the financial period | **2,923,228** | 1,090,415 |
| Effect of movement in exchange rates on cash held | **(9,063)** | 4,464 |
| **Cash and cash equivalents at 31 December 2019** | **5,074,449** | 3,932,526 |

The condensed consolidated statement of cash flow is to be read in conjunction with the notes to the condensed consolidated interim financial report.

Notes to the condensed consolidated interim financial statements

*For the six months ended 31 December 2019*

# 1. Reporting entity

Whitebark Energy Limited (the 'Company') is a for profit company domiciled in Australia. The address of the Company's registered office is Level 2, 6 Thelma Street, West Perth, WA 6005. The condensed consolidated interim financial report of the Consolidated Entity for the six months ended 31 December 2019 comprises the Company and its subsidiaries (together referred to as the Consolidated Entity). The Consolidated Entity is primarily involved in oil and gas exploration and production in Australia and Canada.

# 2. Statement of compliance

The condensed consolidated interim financial report is a general purpose financial report prepared in accordance with the requirements of the Corporation Act 2001, Australian Accounting Standards AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Standards Board. Compliance with the Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The consolidated interim financial report does not include all the information required for a full annual financial report and should be read in conjunction with the consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2019.

The Company has initially adopted AASB 16 Leases from 1 July 2019. Other than this change, the same accounting policies and methods of computation have been followed in this interim financial report as were applied in the annual financial report of the Consolidated Entity as at and for the year ended 30 June 2019.

## 2(a) Going Concern

The accounts have been prepared on a going concern basis, which contemplates continuity by the Consolidated entity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Consolidated entity has incurred a loss after tax of $997,895 for the half year ended 31 December 2019 (2018: loss $677,267), including a gain on disposal of assets of $1,931,987 (2018: $1,379,736). The net cash outflows from operations and investing activities were $2,031,910 and $4,620,119, respectively. As at 31 December 2019 the Consolidated entity's current liabilities exceeded current assets by $736,772 (30 June 2019: surplus of $3,485,817).

As at 31 December 2019, the Consolidated entity's cash position was $5,074,449 and the Consolidated entity had creditors amounting to $8,568,971. The accumulation of creditor balances was primarily related to the capital costs expended on the development of the Wizard Lake pipeline, facilities and the Rex-2 and 3 drilling program, both of which completed in December 2019. As part of a prior agreement with PLX to increase the Consolidated entity's interest in the Wizard Lake field to a 50% interest, the Consolidated entity was required to fund PLX's share of the pipeline, initial facilities and drilling program cost of Rex-2 and Rex-3 of $4,322,323 during the December 2019 half year period, leading to the accumulation of creditor balances and an increased outflow of cash. PLX's unpaid share of Wizard Lake development costs funded by the Consolidated entity are recorded as a receivable of $5,101,743 at the half-year's end, which is to be recovered through the future operational income of the Wizard Lake field.

Subsequent to the reporting date the Consolidated entity has communicated with a number of its significant creditors regarding extending payment terms beyond their contracted payment dates, to be repaid over the next seven months through proceeds from Wizard Lake operations. The Directors' view is that whilst no formal deeds are in place with these creditors, correspondence with them does not suggest that their support is not forthcoming.

The Consolidated entity has prepared a cash flow forecast for the next twelve months from the date of signing the financial report which demonstrates that the Consolidated entity will have sufficient cash to continue as a going concern, subject to:

- The profitable and cash flow positive operation of its 60% interest in the Wizard Lake field. The cash flow forecast assumes the continued optimisation of Wizard Lake oil and gas operations without a substantial capital cost. Critical to the forecast cash flows is the Consolidated entity's ability to maintain its current levels of oil and gas production and achieving its forecast market prices (as at the date of this report) and assumed gross profit margins;
- The continued support of creditors noted above;
- Successful equity and/or debt fund raisings over the next 12 months; and
- No further material deterioration occurs in the global oil and gas market.

The Consolidated entity is working towards raising equity and securing a loan facility to provide working capital and to partly fund the $3.1 million cash component of the Stage 2 the Wizard Lake acquisition (as announced on 18 December 2019) to acquire 100% of the Wizard Lake field. Whilst the Consolidated entity has not yet committed to Stage 2 of the acquisition, it is planned to be completed before 31 March 2020, or at such later date to be agreed with PLX. Should the Consolidated entity proceed with Stage 2 of the acquisition agreement, the outstanding receivable from funding PLX's share of the Wizard Lake development costs would be forgiven as part of the acquisition consideration.

The Directors have a reasonable expectation that the Wizard Lake operation will achieve its forecast positive cash flows. Should operations not perform as expected, or further deterioration in the global oil and gas market materialises, or creditor deferment of payments over an extended period not be successful as forecast, the Directors are confident that the Consolidated entity will be able to secure sufficient funding through equity and/or debt to continue as a going concern based on demonstrated past successes in raising equity.

Based on the above, the Directors have reasonable grounds to believe that the Consolidated entity will be able to pay its debts as and when they become due and payable and the Directors consider that the going concern basis of preparation to be appropriate for these interim financial statements.

Should the Wizard Lake field operation not operate as profitably or as cash flow positively as anticipated, or existing creditors fail to continue to support the Consolidated entity with extended payment terms, or if the Directors are unsuccessful in raising equity or debt funding as required, there is a material uncertainty as to the ability of the Consolidated entity to continue as a going concern and to realise its assets and extinguish its liabilities in the ordinary course of business and at the amounts set out in the financial report.

## 3. Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the functional currency of the Company. The functional currency of the Company's United States of American subsidiary is USD and CAD for the Canadian subsidiary.

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates.

## 4. Significant accounting policies

These condensed consolidated interim financial statements have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year to 30 June 2019, other than *AASB 16 Leases* which was adopted from 1 July 2019.

The accounting policies have been applied consistently throughout the Consolidated Entity for the purposes of preparation of these condensed consolidated interim financial statements.

The Consolidated Entity has adopted the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current period. The accounting policies described below were adopted for the first time during this reporting period on the adoption of AASB 16 Leases:

*Right-of-use assets*
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Consolidated Entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

*Lease liabilities*

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Consolidated Entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option or lease term extension and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

The Consolidated Entity has adopted *AASB 16 Leases* from 1 July 2019, but has not restated comparatives for the reporting periods prior to adoption, as permitted under the specific transitional provisions in the standard applying the Modified Retrospective Approach. The Consolidated Entity's retained earnings and net assets were unaffected by the transition at 1 July 2019.

## 5. Adoption of new and revised accounting standards

In the half year ended 31 December 2019, the Company has reviewed all the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2019.

*New currently effective requirements*

The Consolidated Entity has adopted *AASB 16 Leases* with effect from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments is separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

During the reporting period, the Consolidated Entity had short term operating leases in place and has elected not to recognise a right-of-use asset and corresponding lease liability as the lease term for these leases is less than 12 months. The Consolidated Entity's accounting policy for leases is disclosed in Note 4.

*Standards issued not yet effective*

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

# 6. Estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Consolidated Entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2019.

# 7. Segment reporting

During the period the Consolidated Entity operated in two business segments (two geographical areas) exploration, development and production of oil and gas – Australia and Canada.

The Consolidated Entity has identified its operating segment based on the internal report that is reviewed and used by the Board of Directors (chief operating decision maker) in assessing performance and determining the allocation of resources.

| **December 2019** | **Australia A$** | **Canada A$** | **Total Segment A$** | **Unallocated A$** | **Consolidated A$** |
|---|---|---|---|---|---|
| Total sales revenue | - | 880,841 | 880,841 | - | 880,841 |
| Financial income | 58,500 | 45 | 58,545 | - | 58,545 |
| Other income | 13,846 | - | 13,846 | - | 13,846 |
| Total revenue | 72,346 | 880,886 | 953,232 | - | 953,232 |
| | | | | | |
| Segment result | (1,287,138) | (731,520) | (2,018,658) | (3,823) | (2,022,481) |
| Profit on disposal of assets | - | 1,931,987 | 1,931,987 | - | 1,931,987 |
| Depletion, depreciation & amortisation | (1,296) | (906,105) | (907,401) | - | (907,401) |
| Profit before income tax expense | (1,288,433) | 294,362 | (994,071) | (3,823) | (997,895) |
| | | | | | |
| **Assets** | | | | | |
| Total current assets | 5,452,941 | 2,505,065 | 7,958,006 | - | 7,958,006 |
| Total non-current assets | 5,616 | 14,367,483 | 14,373,099 | - | 14,373,099 |
| Total assets | 5,458,557 | 16,872,548 | 22,331,105 | - | 22,331,105 |
| | | | | | |
| **Liabilities** | | | | | |
| Total current liabilities | (581,247) | (8,113,531) | (8,694,778) | - | (8,694,778) |
| Total non-current liabilities | (1,438,777) | (600,428) | (2,039,205) | - | (2,039,205) |
| Total liabilities | (2,020,024) | (8,713,959) | (10,733,983) | - | (10,733,983) |

| December 2018 | Australia A$ | Canada A$ | Total Segment A$ | Unallocated A$ | Consolidated A$ |
|---|---|---|---|---|---|
| Total sales revenue | - | 1,013,432 | 1,013,432 | - | 1,013,432 |
| Financial income | 11,956 | 12,930 | 24,886 | - | 24,886 |
| Total revenue | 11,956 | 1,026,362 | 1,038,318 | - | 1,038,318 |
| Segment result | 353,830 | (326,410) | 27,420 | (3,306) | 24,114 |
| Depletion, depreciation & amortisation | (7,120) | (494,391) | (501,511) | - | (501,511) |
| Impairment of assets | - | (199,870) | (199,870) | - | (199,870) |
| Profit before income tax expense | 346,710 | (1,020,671) | (673,961) | (3,306) | (677,267) |
| **June 2019** | | | | | |
| **Assets** | | | | | |
| Total current assets | 3,566,680 | 1,641,376 | 5,208,056 | - | 5,208,056 |
| Total non-current assets | (997,262) | 9,957,969 | 8,960,707 | - | 8,960,707 |
| Total assets | 2,569,418 | 11,599,345 | 14,168,763 | - | 14,168,763 |
| **Liabilities** | | | | | |
| Total current liabilities | (345,891) | (1,376,348) | (1,722,239) | - | (1,722,239) |
| Total non-current liabilities | (1,460,329) | (7,118,338) | (8,578,667) | - | (8,578,667) |
| Total liabilities | (1,806,220) | (8,494,686) | (10,300,906) | - | (10,300,906) |

## 8. Finance Income

| | **31 December 2019 $** | 31 December 2018 $ |
|---|---|---|
| Interest income | **5,972** | 12,245 |
| Foreign currency gain | **52,573** | 12,641 |
| | **58,545** | 24,886 |

## 9. Profit on disposal of assets

| | **31 December 2019 $** | 31 December 2018 $ |
|---|---|---|
| Gain on disposal of TP/15 | **-** | 1,289,734 |
| Gain on disposal of developed and producing land – Canada (note 13) | **1,917,475** | 90,002 |
| Gain on disposal of financial assets – Triangle Energy Limited | **14,512** | - |
| | **1,931,987** | 1,379,736 |

## 10. Administrative expenses

| | **31 December 2019 $** | 31 December 2018 $ |
|---|---|---|
| Directors' fees | **(73,500)** | (55,500) |
| Administration and finance support | **(459,076)** | (413,730) |
| General and administration | **(913,834)** | (761,855) |
| | **(1,446,410)** | (1,231,085) |

## 11. Other operating expenses

| | **31 December 2019 $** | 31 December 2018 $ |
|---|---|---|
| Depletion, depreciation and amortisation | **(901,228)** | (501,511) |
| Project costs | **(126,638)** | (74,783) |
| Legal fees | **(2,060)** | (17,888) |
| Tax advisory services | **(4,504)** | (8,950) |
| Consultancy fees | **(87,251)** | (42,967) |
| Revision of Rehab and Abandonment provision | **(115,657)** | (6,963) |
| Business development expense | **(161,167)** | - |
| Workover expense | **(186,390)** | (57,812) |
| | **(1,584,895)** | (761,632) |

## 12. Trade and other receivables

| | **31 December 2019 $** | 30 June 2019 $ |
|---|---|---|
| **Current** | | |
| Trade and other receivables: | **2,275,312** | 1,289,755 |
| | | |
| **Non-current** | | |
| Other receivables: | **4,126,071** | - |

At 31 December 2019, other receivables include an amount of $5,101,743 (Current: $975,672 and Non-current: $4,126,071) receivable from the joint venture partner Point Loma Resources Limited. The Company agreed to pay 100% of the costs to build the initial facilities and tie in Rex 1, as well as the costs to drill, complete, equip and tie-in Rex 2 and 3. In return the company will earn 100% of the net operating income from Rex 1 and 85% of the net operating income of Rex 2 and 3. The percentage of earnings received in excess of the company's working interest will be applied to the receivable account until the earlier of payout or completion of Step 2 of the asset swap agreement. In accordance with the Agreement which gives the Company the option to acquire 100% of the Wizard Lake Oilfield, such receivables would be forgiven as part of Step 2 of the acquisition of Wizard Lake and hence the full amount may not be received in cash if Step 2 of the transaction proceeds. It is noted that in the event the Consolidated Entity does not proceed with Step 2 of the Wizard Lake acquisition, this receivable will be repaid to the Consolidated Entity from Wizard Lake operations.

## 13. Property plant and equipment

| | 31 December 2019 $ | 30 June 2019 $ |
|---|---|---|
| Plant and equipment at cost | **14,978,508** | 14,867,799 |
| Accumulated depletion and depreciation | **(608,655)** | (1,941,661) |
| Accumulated impairment | **(4,885,015)** | (4,885,015) |
| | **9,484,837** | 8,041,123 |
| **Reconciliation of carrying amounts** | | |
| *Developed and Producing* | | |
| Opening balance | **8,034,267** | 8,135,466 |
| Acquisition of additional 10% Wizard Lake interest [1] | **1,988,189** | - |
| Revaluation of Thornbury/Manville to fair value [2] | **1,917,475** | - |
| Increase in asset retirement obligation asset | **570,307** | 652,267 |
| Additions | **5,419,237** | 1,365,573 |
| Foreign exchange | **45,944** | 517,143 |
| Disposals [2] | **(7,595,569)** | (258,708) |
| Impairment | **-** | (1,331,785) |
| Depletion | **(901,228)** | (1,045,689 |
| | **9,478,622** | 8,034,267 |
| *Furniture and fixtures* | | |
| Opening balance | **1,295** | 1,618 |
| Depreciation expense | **(130)** | (323) |
| | **1,165** | **1,295** |
| *Office equipment* | | |
| Opening balance | **5,561** | 7,060 |
| Additions | **656** | 1,681 |
| Depreciation expense | **(1,167)** | (3,180) |
| | **5,050** | 5,561 |
| *Software assets* | | |
| Opening balance | **-** | 8,176 |
| Depreciation expense | **-** | (8,176) |
| | **-** | - |
| Total plant and equipment | **9,484,837** | 8,041,123 |

[1] During the period the Company increased its interest in the Wizard Lake Oilfield asset from 50% to 60%. The amount of $1,988,189 represents the fair value of the extra 10% interest acquired. Refer note 20.

[2] Part consideration for the additional 10% interest in the Wizard Lake Oilfield was an asset swap where the Company's interest in the Point Loma Joint Venture assets were transferred to Point Loma Resources Limited. Prior to disposal, these assets were revalued to fair value. In accordance with accounting standards, consideration in the form of the Company's assets should be measured at the fair value of the assets given up. The profit to fair value given as consideration was $1,917,475.

## 14. Exploration and evaluation assets

| | 31 December 2019 $ | 30 June 2019 $ |
|---|---|---|
| Exploration and evaluation assets | **183,495** | 919,584 |
| | | |
| **Movement in exploration and evaluation assets** | | |
| Opening balance | **919,584** | 2,556,696 |
| Additions – Canada | **178,940** | 83,966 |
| Additions – TP15 | **-** | 18,325 |
| Expenditure incurred during the period | **12,373** | - |
| Impairment of exploration and evaluation assets | **-** | (237,233) |
| Disposals [1] | **(931,725)** | (1,534,111) |
| Transfer to property, plant and equipment | **-** | (34,229) |
| Foreign currency movement | **4,323** | 66,170 |
| | **183,495** | 919,584 |

[1] The disposal of exploration and evaluation expenditure related to the assets transferred to Point Loma Resources Limited to close Step 1 of the Asset Exchange Agreement as part consideration for the acquisition of 10% of Wizard Lake. Refer to note 20.

The recoverability of the carrying amounts of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective areas of interest.

Where activities in the area of interest have, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves the exploration and evaluation assets are assessed for impairment. Impairment will occur if sufficient data exists to determine technical feasibility and commercial viability and the facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Following review, no impairment was booked to exploration and evaluation assets for the 6 months ended 31 December 2019 (31 December 2018: $200,265).

## 15. Trade and other payables

| | 31 December 2019 $ | 30 June 2019 $ |
|---|---|---|
| **Current**: | | |
| Trade creditors | **7,932,361** | 1,278,461 |
| Other payables | **636,610** | 343,387 |
| | **8,568,971** | 1,621,848 |

## 16. Decommissioning liabilities

| | **31 December 2019 $** | 30 June 2019 $ |
|---|---|---|
| Balance at the beginning of the period | **8,568,741** | 7,558,403 |
| Liabilities acquired – Canada [1] | **539,348** | 27,501 |
| Change in inflation rate of liabilities | **-** | 128,690 |
| Movement in Warro Project liability | **115,657** | 13,963 |
| Change in discount rate of liabilities | **30,958** | 336,185 |
| Revision of estimates | **-** | 278,236 |
| Disposal of assets [2] | **(7,265,948)** | (259,632) |
| Accretion expense | **627** | 170,378 |
| Expenditure | **-** | (83,234) |
| Foreign currency movement | **34,125** | 398,251 |
| Balance at the end of the period | **2,023,507** | 8,568,740 |

[1] Liabilities acquired in Canada comprise of the decommissioning liability on the additional 10% interest in Wizard Lake, together with decommissioning liabilities on two new wells drilled during the reporting period.

[2] During the period the Company increased its interest in the Wizard Lake Oilfield asset from 50% to 60%. Part consideration for the additional 10% interest was an asset exchange where the Company's interest in the Point Loma Joint Venture assets were transferred to Point Loma Resources Limited. The amount of $7,265,949 represents the Company's decommissioning obligations in relation to the Point Loma Joint Venture assets.

The Company's decommissioning obligations result from its ownership interest in oil and natural gas well sites and facilities. The total decommissioning obligation is estimated based on the estimated costs to reclaim and abandon these wells and facilities and the estimated timing of costs to be incurred in future years.

## 17. Issued capital

The Consolidated Entity recorded the following amounts within shareholder's equity as a result of the issuance of ordinary shares:

| **Issued capital – Shares** | **31 December 2019 #** | 30 June 2019 # | **31 December 2019 $** | 30 June 2019 $ |
|---|---|---|---|---|
| *Share capital* | | | | |
| Issued ordinary shares | **3,024,841,371** | 1,963,166,371 | **67,013,430** | 58,369,150 |
| | | | | |
| *Movements in issued capital* | | | | |
| Issued capital | | | | |
| Opening balance | **1,963,166,371** | 990,431,004 | **59,900,550** | 55,619,488 |
| Issue of shares for cash | **1,061,675,000** | 972,715,367 | **9,453,000** | 4,280,862 |
| Shares issued on exercise of Options | **-** | 20,000 | **-** | 200 |
| | | | **69,353,550** | 59,900,550 |
| | | | | |
| Less share issue costs | | | | |
| Opening balance | **-** | - | **(1,531,400)** | (1,236,831) |
| Current period costs | **-** | - | **(808,720)** | (294,569) |
| Closing balance share issue costs | **-** | - | **(2,340,870)** | (1,531,400) |
| | | | | |
| | **3,024,841,371** | 1,963,166,371 | **67,013,430** | 58,369,150 |

## 18. Reserves

| | **31 December 2019 $** | 30 June 2019 $ |
|---|---|---|
| Share based payment reserve | **954,835** | 766,969 |
| Foreign currency translation reserve | **142,047** | 247,035 |
| | **1,096,882** | 1,014,004 |

**Movement in reserves**

| | Period ended 31 December 2019 |
|---|---|
| *Share based payment reserve* | |
| Opening balance 1 July 2019 | 766,969 |
| Fair value of options vesting during the period | 19,083 |
| Advisor options issued during the period | 168,783 |
| Closing balance 31 December 2019 | 954,835 |

The share based payment reserve represents the value of options issued under the compensation arrangement that the Consolidated Entity is required to include in the consolidated financial statements.

This reserve will be reversed against share capital when the underlying options are exercised by the employee or consultant or expire. No gain or loss is recognised in the profit or loss on the purchase, sale, issue or cancellation of the Consolidated Entity's own equity instruments.

| | Period ended 31 December 2019 |
|---|---|
| *Foreign currency translation reserve* | |
| Opening balance 1 July 2019 | 247,035 |
| Exchange gains/(losses) for the period | (104,988) |
| Closing balance 31 December 2019 | 142,047 |

The foreign currency translation reserve comprises all foreign exchange differences from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

## 19. Options

**Unlisted Options**

During the period, the Company issued 47,800,000 unlisted options on the following terms:

| Grant Date | Number of Options | Vesting Date | Expiry date | Exercise price | Total Value of Option |
|---|---|---|---|---|---|
| 13 Nov 2019 | 12,500,000 [1] | 13 Nov 2020 | 13 Nov 2022 | $ 0.012 | $78,451 |
| 13 Nov 2019 | 12,500,000 [1] | 13 Nov 2021 | 13 Nov 2022 | $ 0.012 | $78,451 |
| 13 Nov 2019 | 22,800,000 [2] | 13 Nov 2019 | 13 Nov 2022 | $ 0.012 | $143,095 |

[1] Issued under the terms of the Company's employee option plan.

[2] In consideration for the provision of corporate advisory and lead manager services as approved by shareholders at the Annual General Meeting held on 11 November 2019.

The fair value of unlisted options at grant date is determined using the binomial method of valuing options that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

An expense of $19,083 has been recognised in the condensed consolidated statement of profit or loss and other comprehensive income for the period ended 31 December 2019 in respect of options vesting during the period. An amount of $168,783, in relation to advisor options, has been recognised as a capital raising cost in the statement of financial position at 31 December 2019.

No unlisted options were exercised or cancelled during the period.

Subsequent to the end of the reporting period, there were no movements in unlisted options.

The number of unlisted options outstanding over unissued ordinary shares at 31 December 2019 is 168,800,000 as follows:

| Grant Date | Number of options granted | Vesting Date | Expiry date | Exercise price |
|---|---|---|---|---|
| 28 Apr 2017 | 11,000,000 | 28 Apr 2017 | 1 Apr 2021 | $0.015 |
| 24 Jul 2017 | 100,000,000 | 24 Jul 2017 | 31 May 2021 | $0.015 |
| 20 Jun 2019 | 10,000,000 | 20 Jun 2019 | 20 June 2021 | $0.080 |
| 13 Nov 2019 | 12,500,000 | 13 Nov 2020 | 13 Nov 2022 | $ 0.012 |
| 13 Nov 2019 | 12,500,000 | 13 Nov 2021 | 13 Nov 2022 | $ 0.012 |
| 13 Nov 2019 | 22,800,000 | 13 Nov 2019 | 13 Nov 2022 | $ 0.012 |
| **Total** | **168,800,000** | | | |

**Listed Options**

No listed options were granted, exercised or cancelled during the period.

Subsequent to the end of the reporting period, 375,000 listed options were exercised.

At 31 December 2019, there were 602,695,367 (30 June 2019: 602,695,367) listed options outstanding over unissued ordinary shares. These options are exercisable at a weighted average of $0.01 each on or before 31 August 2020.

## 20. Acquisition of additional interest in Wizard Lake Oilfield

On 18 December 2019, the Company announced that its 100% owned subsidiary, Salt Bush Energy Ltd (SBE), had executed a Definitive Agreement to acquire the remaining 50% interest in the Wizard Lake Oilfield from its joint venture partner, Point Loma Resources Limited (PLX).

The transaction is to be achieved via a three step process with consideration comprising a combination of cash, shares and swapped assets. On completion of the transaction, the Company will own 100% of Wizard Lake Oilfield.

The terms of the staged agreement are as follows:

**Step 1**

- The Company to acquire an additional 10% interest in the Wizard Lake Oilfield from PLX for a cash payment of C$1,200,000 taking the Company's interest to 60%.
- The Company to assign its 20-30% ownership in the Point Loma Joint Venture assets.

**Step 2**

- The Company to acquire the remaining 40% interest in the Wizard Lake Oilfield for a cash payment of C$2,800,000 and C$2,000,000 in Whitebark Energy Limited shares. Shares comprising C$1,000,000 will be held in escrow until December 2020.
- Point Loma to retain a 10% interest in Rex-1 and Rex-2 wells until December 2020 (deferred assets).

**Step 3**

- Point Loma to transfer the Point Loma deferred assets to the Company.
- C$1,000,000 worth of Whitebark Shares to be released to Point Loma from escrow.

In December 2019, stage one of the Wizard Lake Oilfield acquisition was completed taking the Company's interest in the Wizard Lake Oilfield from 50% to 60%. Management considers that joint control still exists after the finalisation of Stage 1 as decisions about relevant activities require consent from both the Company and Point Loma. Therefore, in accordance with accounting standards, the following methodology has been applied in accounting for Step 1 of this transaction:

- As the Point Loma Joint Venture constitutes a business per *AASB 3 Business Combinations*, the additional interest acquired will be treated as a business combination with goodwill being recognised on acquisition
- The initial 50% interest will be carried at cost and not remeasured.

**Consideration – Step 1**

Consideration for the acquisition of Stage 1, at exchange rates applicable on the effective date (1 December 2019) comprised of:

| Details | Fair Value C$ | Fair Value A$ |
|---|---|---|
| Cash | 1,200,000 | 1,333,333 |
| Assets – Fair value of Manville and Thornbury assets | 1,139,297 | 1,265,885 |
| | 2,339,297 | 2,599,218 |

The fair value of the Point Loma Joint Venture assets was calculated using a weighted average cost of capital of 10% to determine the present value of the asset, net of any costs for rehabilitation.

The fair value of the additional 10% interest acquired in Wizard Lake is C$1,818,100 (A$2,020,222) which results in goodwill on acquisition of C$521,098 (A$578,696). The fair value has been measured on a provisional basis and if new information is obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition, then the accounting for the acquisition will be revised. The Australian dollar amount of the 10% interest is shown at acquisition date and differs from the balance shown at note 13 which is translated at the prevailing exchange rate at 31 December 2019.

## 21. Subsequent events

Other than the following matters, there has not arisen in the interval between the end of the reporting period and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect substantially the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial periods;

- At the General Meeting held on 24 February 2020, shareholders approved:
  - the issue of 80,000,000 related party options pursuant to the Company's Share Option Plan;
  - the issue of 4,000,000 related party shares in lieu of a $44,000 cash performance bonus;
  - the issue of shares, the equivalent of C$2,000,000, to Point Loma Resources as part consideration for a 40% interest in the Wizard Lake Oilfield. At the date of this report this acquisition has not yet been completed.
- On January 2020, 375,000 ordinary shares were issued on exercise of options.

## 22. Commitments

There has been no material change in operational or capital commitments since the signing of the audited 30 June 2019 financial statements.

## 23. Contingencies

There has been no material change in contingent assets or liabilities since the signing of the audited 30 June 2019 financial statements.

## Directors' Declaration

In the opinion of the Directors of Whitebark Energy Limited and its subsidiaries ("Consolidated Entity"):

1. the financial statements and notes set out on pages 12 to 27, are in accordance with the Corporations Act 2001 including:

    a. giving a true and fair view of the financial position of the Consolidated Entity as at 31 December 2019 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and

    b. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

2. there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

Dated in Perth this 13th day of March, 2020

Signed in accordance with a resolution of Directors:

**David Messina**
Managing Director