



17 March 2016

Phase I Complete – Icwine#1 “Achilles’ Heels” Mitigated

88 Energy Limited (“88 Energy”, “the Company”, “Operator”) (ASX, AIM: 88E) is pleased to provide the successful completion of Phase I for Project Icwine, resulting in substantial de-risking of the HRZ play based on results from the Icwine#1 exploration well. Phase II has now been initiated with planning and design underway for Icwine#2H, a horizontal appraisal well with a multi-stage fracture stimulation.

Phase I: Highlights – All Three “Achilles’ Heels” Substantially Mitigated

- **Brittleness:**
 - Analogous to Haynesville and Marcellus plays
 - Highly amenable to fracture stimulation operations
- **Hydrocarbon Phase / Thermal Maturity:**
 - Volatile oil vapour phase with higher liquids content than forecast
- **Bottom Seal / Overpressure:**
 - Elevated pore pressure materially above hydrostatic gradient
- **Matrix Permeability:**
 - Analogous to Haynesville & substantially higher than Eagle Ford
- **Porosity**
 - Excellent by comparison to other successful shale plays, including Eagle Ford

The Company believes that Icwine #1 cored a new kind of hybrid resource play that appears to have numerous similarities to reservoirs known as Low-Contrast Low-Resistivity (LCLR), or Low Contrast Pay (LCP). These reservoirs are characterised by production metrics and performance more commonly associated with conventional resources (Bodnar, 2015).

Phase II: Appraisal Program for HRZ Play Initiated

- **Appraisal: Icwine#2H (Horizontal with Multi-Stage Frac) HRZ Production Test**
 - Preliminary AFE and drilling design launched
 - Detailed core-based fracking, completion, and production profile design in progress
- **2D Seismic Program:**
 - Funding approved by Bank of America
 - Mobilisation complete - acquisition to commence in near term
- **Independent Resource Report**
 - Scheduled for release mid-April, incorporating Icwine #1 HRZ results and increased acreage position



Overview

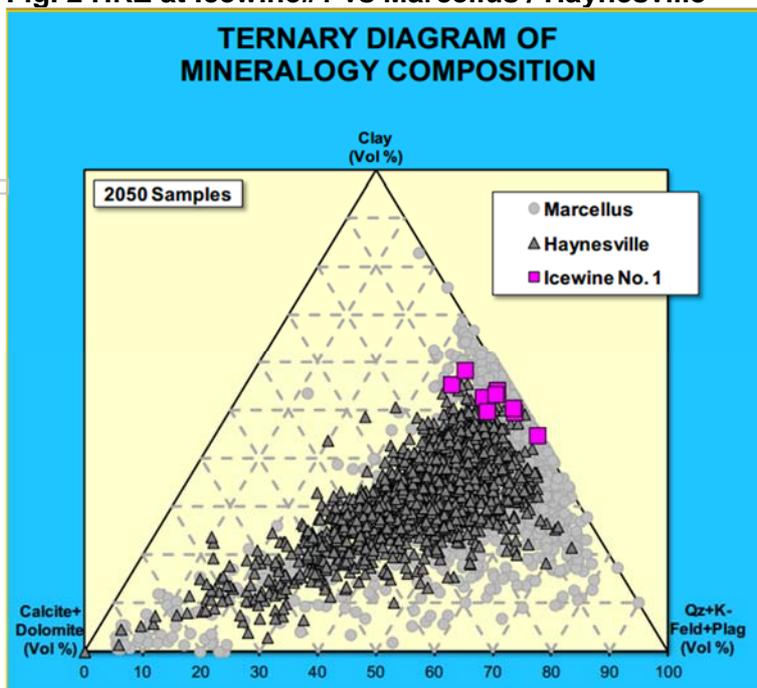
Analysis of the core obtained from the Icewine#1 exploration well has confirmed a strong correlation between a matrix of various rock properties in the HRZ shale and the Marcellus and Haynesville shales. Consequently, the Company believes that the HRZ will be highly amenable to fracture stimulation operations. The Marcellus and Haynesville shale plays are successful plays in their own right, achieving flow rates over 30 million cubic feet of gas per day with comparatively low decline rates, largely due to excellent permeability. This is highly encouraging for the flow potential at Project Icewine, especially in the context of the thermal maturity difference, which indicates 70% liquid hydrocarbon saturation as opposed to the more gas prone Marcellus and Haynesville shale plays.

The three main “Achilles’ Heels” in Project Icewine (see Fig 1) have now all been substantially mitigated, creating a strong platform from which to enter the next phase of unlocking the resource potential at Prokect Icewine via the drilling of a horizontal well with a multi-stage frac.

Fig. 1 “Achilles’ Heels” – Boxes Ticked

Commercial success of the HRZ highly dependent on three critical parameters		
Key Factors addressed in Core Evaluation Stage 1:		
Effective bottom seal & frackability	<ul style="list-style-type: none"> • Brinell hardness test • Triaxial compressive strength • Closure stress - calibrated dipole sonic 	✓
Wet gas thermal maturity window	<ul style="list-style-type: none"> • RockEval pyrolysis • Visual kerogen analysis & VR • Hydrocarbon chromatography analysis 	✓
Matrix permeability	<ul style="list-style-type: none"> • GRI crushed shale analysis • Dry Gas Basis Matrix Permeability Calculation 	✓

Fig. 2 HRZ at Icewine#1 vs Marcellus / Haynesville



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Fig. 2 and Fig. 3 (above and below) both highlight the mineralogical (rock composition) similarities between the HRZ shale and other successful shale plays. Based on this information, the Company's assessment is that the HRZ is a siliceous shale, most similar to the Haynesville and Marcellus, and will be highly amenable to fracture stimulation.

Fig. 3 HRZ Mineralogy ~17 Miles North of Icewine#1

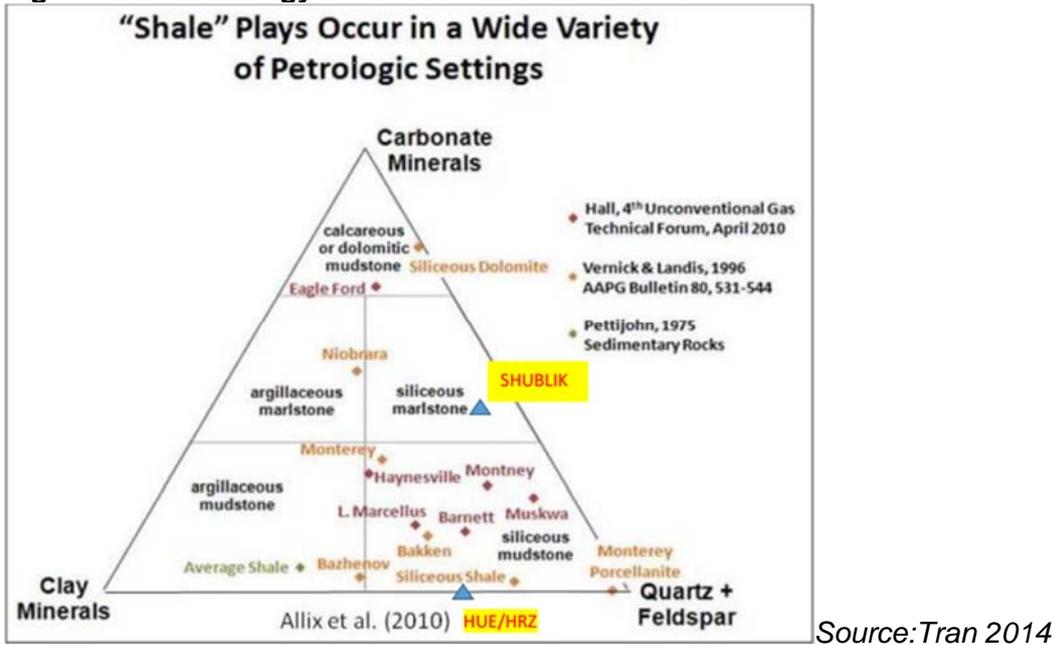


Fig. 4 Hardness Comparison

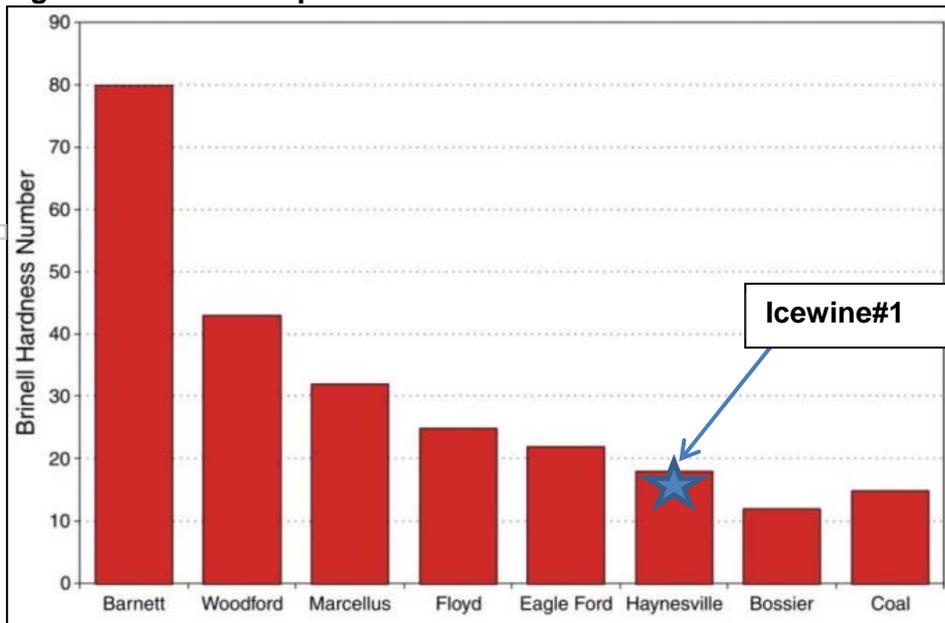


Fig. 4 shows the comparative hardness of the HRZ at the Icewine#1 location, providing additional support for fraccability of the rock.

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Forward Plan

Further analysis is now required to fine tune the frac design for the planned Icewine#2H well, including:

- Proppant Embedment – determines the optimal size and type of proppant
- Fluid Sensitivity – determines the best fluid type for carrying proppant and minimising chemical interaction with the rock
- Borehole Stability – determines stress direction for optimisation of orientation of lateral section

The results from these tests will be known over the next few weeks.

Additionally, results from permeability tests on the “Super Highway” zones are expected within days.

2D seismic acquisition is scheduled to commence imminently, following recent funding approval by Bank of America.

Progress is being made on the Independent Resource Report, which is scheduled for release in mid-April. The report will incorporate both the HRZ evaluation results from the Icewine#1 well and the November 2015 acreage additions.

Managing Director of 88 Energy Limited, Dave Wall commented: *“The substantial de-risking of our three main Achilles’ Heels is a major milestone for Project Icewine. The HRZ has been proven to share many characteristics that are similar to the rocks in the Marcellus and Haynesville that give rise to exceptional flow rates, albeit we are expecting liquids as opposed to gas. Additionally, our view of the nature of the HRZ play, based on these characteristics, is pushing the needle towards a possible production profile that is more akin to conventional reservoir performance.*

Further work to fine tune frac design is now underway and we also expect seismic acquisition to commence imminently.

The hard work within the 88E/Burgundy partnership and by our expert consultants, leveraged off Burgundy’s intellectual property, continues to yield Tier 1 outcomes for the prospectivity of Project Icewine. These focused efforts are ongoing, and we look forward to sharing additional results in the near future.”

Yours faithfully

Dave Wall
Managing Director
88 Energy Ltd



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Media and Investor Relations:

Australia

88 Energy Ltd
admin@88energy.com
+61 8 9485 0990

Hartleys Limited
As Corporate Advisor
Mr Dale Bryan
+61 8 9268 2829

United Kingdom

Cenkos Securities Plc
As Nominated Adviser
Mr Neil McDonald

Mr Derrick Lee

Tel: +44 (0)131 220 9771 /
+44 (0)207 397 1953

Tel: +44 (0)131 220 9100 /
+44 (0)207 397 8900

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Project Icewine Highlights

In November 2014, the Company entered into a binding agreement with Burgundy Xploration (**BEX**) to acquire a significant working interest (87.5%, reducing to 78% on spud of the first well on the project) in a large acreage position on a multiple objective, liquids rich exploration opportunity onshore Alaska, North America, referred to as Project Icewine. In November 2015, the gross acreage position was expanded by 174,240 acres (to be awarded in due process by the State of Alaska).

Subject to final payment on the expanded acreage, 88 Energy will have a 272,422 gross contiguous acre position with 212,489 acres net to the Company. The Project is located on an all year operational access road with both conventional and unconventional oil potential. The primary term for the State leases is 10 years with no mandatory relinquishment and a low 16.5% royalty.

The HRZ liquids-rich resource play has been successfully evaluated based on core obtained in the recently completed (December 2015) Icewine #1 exploration well, marking the completion of Phase I of Project Icewine. Phase II has now commenced, with planning for a horizontal well, Icewine#2H, underway.

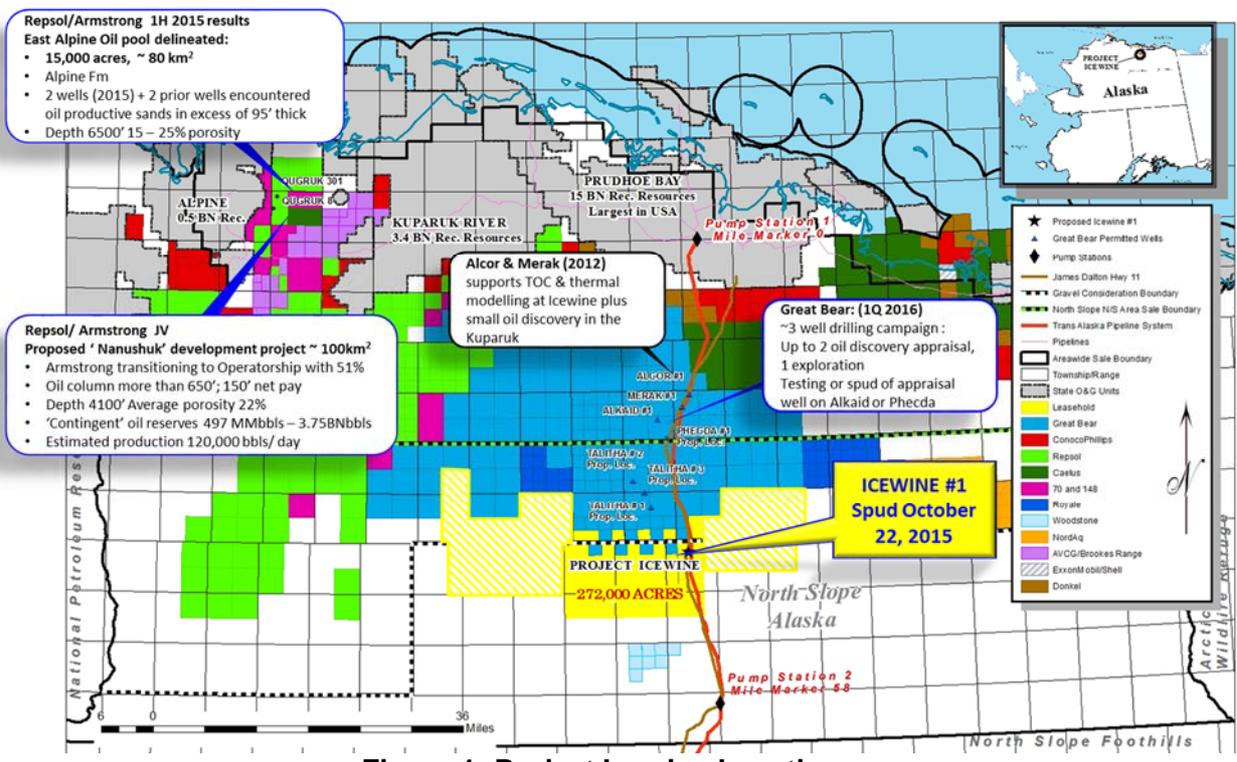


Figure 1: Project Icewine Location

Generous exploration incentives are provided by the State of Alaska with up to 85% of exploration expenditure in 2015 cash refundable, dropping to 75% until mid 2016 and thereafter 35%.

The primary objective is an untested, unconventional liquids-rich shale play in a prolific source rock, the HRZ shale (Brookian Sequence), that co-sourced the largest oil field in North America; the giant Prudhoe Bay Oil Field Complex. Internal modelling and analysis indicates that Project Icewine is located in a high liquids vapour phase sweetspot analogous to those encountered in other Tier 1 shale plays e.g. the Eagle Ford, Texas.



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Conventional play potential can be found at Project Icewine within the same Brookian petroleum system and shallow to the HRZ shale and includes high porosity channel and deep water turbiditic sands. The Brookian conventional play is proven on the North Slope; the USGS (2013) estimate the remaining oil potential to be 2.1 billion barrels just within the Brookian sequence. Additional conventional potential exists in the deeper Kuparuk sands and the Ivashuk Formation.

Drilling in (2012), on the adjacent acreage to the north, confirmed that the HRZ shales, along with the underlying Kingak & Shublik shales, were all within the oil window which is extremely encouraging for the unconventional potential at Project Icewine. In addition, a conventional oil discovery was reported in the Kuparuk sandstones.

A Prospective Resources Report by DeGolyer and MacNaughton, was commissioned by 88 Energy to evaluate the unconventional resource potential of Project Icewine in early December 2014 and was released to the market on 19 January 2015.

About 88 Energy: 88 Energy has a 78% working interest and operatorship in ~272,000 acres (~174,000 acres subject to formal award) onshore the prolific North Slope of Alaska ("Project Icewine"). The North Slope is the host for the 15 billion barrel Prudhoe Bay oilfield complex, the largest conventional oil pool in North America. The Company, with its Joint Venture partner Burgundy Xploration, has identified three highly prospective play types that are likely to exist on the Project Icewine acreage – two conventional and one unconventional. The large resource potential of Project Icewine was independently verified by leading international petroleum resource consultant DeGolyer and MacNaughton. In addition to the interpreted high prospectivity, the project is strategically located on a year-round operational access road and only 35 miles south of Pump Station 1 where Prudhoe Bay feeds into the TransAlaska Pipeline System. The Company plans to progress drilling and seismic acquisition in the near term to take advantage of the globally unique fiscal system in Alaska, which allows for up to 85% of CY2015 exploration expenditure to be rebated in cash.