



22nd October 2019

QUARTERLY REPORT

Report on Activities for the Quarter ended 30 September 2019

The Directors of 88 Energy Limited (“88 Energy” or the “Company”, ASX & AIM:88E) provide the following report for the quarter ended 30 September 2019.

Highlights

Project Icewine

- Project Icewine Conventional farm-out executed in the quarter with Premier Oil Plc (“Premier”);
 - Under the terms of the Sale and Purchase Agreement (“SPA”), Premier will farm-in for a 60% interest in Area A and will pay the full costs of an appraisal well, designated as Charlie-1, (up to a total of US\$23 million) to test the reservoir deliverability of the Malguk-1 discovery;
 - 88 Energy will retain a 30% working interest in Area A with the remaining 10% working interest held by Burgundy Xploration LLC (“Burgundy”);
 - Premier has an option to earn 50% working interest in Area B or C by spending US\$15m, if the Charlie-1 (Malguk-1 appraisal) well in Area A is successful;
 - 88 Energy to operate the Charlie-1 (Malguk-1 appraisal) well via its wholly owned Alaskan subsidiary, Accumulate Energy Alaska Inc, with the well to be drilled and tested in Q1 2020 using the already secured Nordic-Callista Rig-3 and with permitting work on track.
- Project Icewine Unconventional;
 - Charlie-1 well designed to penetrate HRZ and gather additional data;
 - Application of FIB-SEM planned on regional well cuttings to firm up prospective fairway;
 - Icewine-2 well formally plugged and abandoned in the quarter;
 - Soft farm-out underway with continued third party interest.

Yukon Acreage

- Discussions continue with nearby resource owners to optimise the monetisation strategy of the acreage;
- Yukon lease bid on by the Company in the Dec’18 State of Alaska Licensing Round was formally awarded and taken up.

Western Blocks

- Additional regional 3D purchased during the quarter, with reprocessing/reinterpretation of legacy 3D seismic planned to assess further prospectivity in acreage.

Corporate

- Successfully completion of a capital raise of A\$6.75 million (before costs).

For personal use only

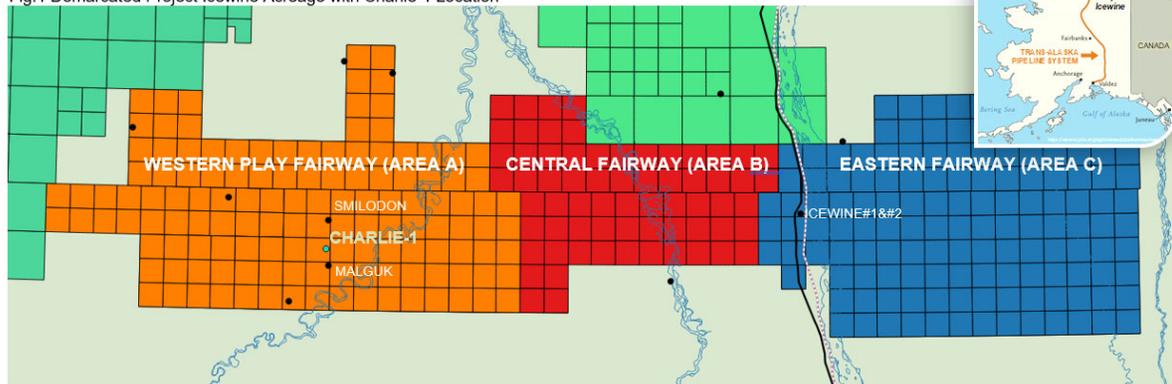
Project Icewine

- **Project Icewine Conventional**

88 Energy signed a SPA with Premier in the quarter, whereby Premier will farm-in for a 60% 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 (see Fig. 1).

88 Energy will retain a 30% working interest in Area A with the remaining 10% working interest held by Burgundy Xploration LLC (“Burgundy”).

Fig.1 Demarcated Project Icewine Acreage with Charlie-1 Location



Under the terms of the SPA, Premier will pay the full costs of an appraisal well, designated as Charlie-1, (up to a total of US\$23 million) to test the reservoir deliverability of the Malguk-1 discovery. The well will be drilled and tested in Q1 2020 with Nordic Rig #3 secured in the quarter. On successful completion of the work programme, Premier will have the option to assume operatorship.

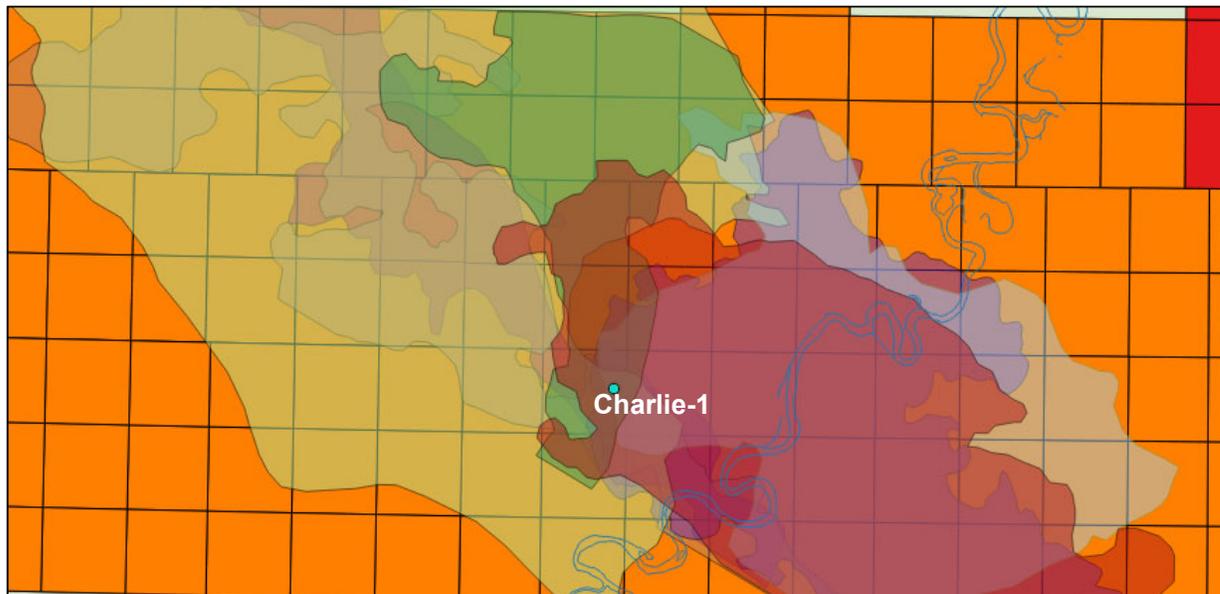
About the Charlie-1 Appraisal Well

The Charlie-1 appraisal well has been designed as a step out appraisal of a well drilled in 1991 by BP Exploration (Alaska) Inc called Malguk-1. Malguk-1 encountered oil shows with elevated resistivity and mud gas readings over multiple horizons during drilling but was not tested due to complications towards the end of operations, which resulted in lack of time before the close of the winter drilling season. It was also drilled using vintage 2D seismic, which was insufficient to adequately determine the extent of any of the prospective targets encountered.

88 Energy subsequently undertook revised petrophysical analysis, which identified what is interpreted as bypassed pay in the Malguk-1 well. 88E also completed acquisition of modern 3D seismic in 2018, in order to determine the extent of the discovered oil accumulations. Charlie-1 will intersect seven stacked prospects, four of which are interpreted as oil bearing in Malguk-1 and are therefore considered appraisal targets. 88 Energy will operate Charlie-1, via its 100% owned subsidiary Accumulate Energy Alaska, Inc, with cost of the well to be funded by Premier up to US\$23m under a recent farm-out agreement. Drilling is scheduled to commence in February 2020 with flow testing anticipated to conclude in April 2020. The total Gross Mean Prospective Resource across the seven stacked targets to be intersected by Charlie-1 is 1.6 billion barrels of oil (480 million barrels net to 88E). Refer announcement dated 23rd August.

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.

Charlie-1: Seven Stacked Horizons



CHARLIE-1 INTERSECTED HORIZONS Prospective Oil Resource MMBO (Unrisked)

Prospects and Leads	Horizon / Play	August 2019: Post Farm-Out				
		Low	Best	High	Gross Mean	Net Mean to 88E
Indigo Discovery	Schrader / Topset	225	358	543	374	112
Charlie Prospect	Schrader / Topset	126	201	304	210	63
Lima Upper Prospect	Seabee / Apron Fan	23	66	144	77	23
Lima Lower Discovery	Seabee / Apron Fan	77	240	528	299	90
Stellar Upper Discovery	Torok Fan	121	234	394	249	75
Stellar Middle Discovery	Torok Channel	148	277	455	292	88
Stellar Lower Prospect	Torok Fan	51	93	150	98	29
CHARLIE-1 TOTAL:					1,599	480

Additional Details

- Premier has an option to earn a 50% working interest in Area B or C by spending US\$15m, if the Charlie-1 (Malguk-1 appraisal) well in Area A is successful;
- 88 Energy to operate the Charlie-1 (Malguk-1 appraisal) well via its wholly owned Alaskan subsidiary, Accumulate Energy Alaska Inc;
- Standard completion documents have been agreed and are in the process of execution, including the Joint Operating Agreement and assignment forms;

During the quarter the Nordic-Callista Rig-3 was secured for the upcoming drilling of the Charlie-1 appraisal well. Rig-3 was used for the drilling of the Winx-1 well in March 2019 and 88 Energy was extremely pleased with its safe and efficient performance throughout the course of operations.



Significant progress has also been made on permitting, with only two key permits now outstanding; the Plan of Operations and Permit to Drill, which are both in the process of being finalised and approved. Additionally, tendering and finalisation of contracts for equipment and services required for Charlie-1 are advancing as planned.

The conditions precedent related to the recent farm-out with Premier are being completed according to schedule, with all conditions expected to be met prior to the end of November 2019.

- **Project Icewine Unconventional**

The forward program consists of accessing material from regional wells in order to conduct additional FIB-SEM analysis to confirm improved effective porosity and connectivity. In addition, the Charlie-1 well is designed to penetrate HRZ and gather additional data which will complement the ongoing additional analysis being conducted.

During the quarter the Icewine-2 well was formally plugged and abandoned.

The Joint Venture continues to field unsolicited third party interest in the HRZ shale play and an informal farm-out process is underway.

Yukon Leases

Discussions ongoing with nearby lease owners to optimise the monetisation strategy for existing discovered resources located in the vicinity of the Yukon Leases. The Yukon Leases contain the 86 million barrel Cascade Prospect[#], which was intersected peripherally by Yukon Gold-1, drilled in 1994, and classified as an historic oil discovery. 88 Energy recently acquired 3D seismic (2018) over Cascade and, on final processing and interpretation, high-graded it from a lead to a drillable prospect. The Yukon Leases are located adjacent to ANWR and in close proximity to recently commissioned infrastructure.

88 Energy, via its subsidiary Regenerate Alaska, Inc, has been formally awarded acreage it successfully bid on in the State of Alaska North Slope Licensing round December 2018. Lease documents have been executed and the balance of funds have been transferred to the State of Alaska Department of Natural Resources.

[#] Refer announcement 7th November 2018

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.

Western Blocks

Additional regional 3D purchased during the quarter that will aid in the evaluation process for the Western Blocks. The forward program will be to continue to assess this data and potentially reprocess and reinterpret the 3D seismic. It is anticipated that the evaluation work will be completed towards the end of CY2019.

Placement to Raise A\$6.75 million

On the 12th September, the Company announced that it had successfully completed a capital raise of A\$6.75 million (before costs), with the placement made to domestic and international institutional and sophisticated investors through the issue of 540 million ordinary shares at A\$0.0125 (equivalent to £0.007) per New Ordinary Share.



Funds raised pursuant to the Placement, together with the Company's existing cash reserves, will be used to fund the ongoing evaluation of the conventional and unconventional prospectivity of the Company's existing assets, including any potential costs in respect of the Charlie-1 well, which is due to be drilled in Q1 CY2020, and to enable it to identify and exploit new opportunities on the North Slope of Alaska.

Corporate

The ASX Appendix 5B attached to this report contains the Company's cash flow statement for the quarter. The significant cash flows for the period were:

- A\$6.75m (before costs) was received in the quarter from the capital raise;
- Exploration and evaluation expenditure totalled A\$3.8m (gross), primarily associated with lease rentals;
- Payments in relation to the debt facility interest totalled A\$0.6m (US\$0.4m); and
- Administration and other operating costs A\$1.1m (Jun'19 Quarter A\$0.8m).

At the end of the quarter, the Company had cash reserves of A\$10.1m, including cash balances held in Joint Venture bank accounts relating to Joint Venture Partner contributions totalling A\$1.2m.

Information required by ASX Listing Rule 5.4.3:

Project Name	Location	Area (acres)	Interest at beginning of Quarter	Interest at end of Quarter
Project Icewine	Onshore, North Slope Alaska	~482,000	66%	66% ¹
Yukon Gold	Onshore, North Slope Alaska	15,235	100%	100%
Western Blocks	Onshore, North Slope Alaska	22,711	36%	36%

¹ Assignment of interest to Premier in Project Icewine Area A not completed at quarter end.

Pursuant to the requirements of the ASX Listing Rules Chapter 5 and the AIM Rules for Companies, the technical information and resource reporting contained in this announcement was prepared by, or under the supervision of, Dr Stephen Staley, who is a Non-Executive Director of the Company. Dr Staley has more than 35 years' experience in the petroleum industry, is a Fellow of the Geological Society of London, and a qualified Geologist / Geophysicist who has sufficient experience that is relevant to the style and nature of the oil prospects under consideration and to the activities discussed in this document. Dr Staley has reviewed the information and supporting documentation referred to in this announcement and considers the prospective resource estimates to be fairly represented and consents to its release in the form and context in which it appears. His academic qualifications and industry memberships appear on the Company's website and both comply with the criteria for "Competence" under clause 3.1 of the Valmin Code 2015. Terminology and standards adopted by the Society of Petroleum Engineers "Petroleum Resources Management System" have been applied in producing this document.



Media and Investor Relations:

88 Energy Ltd

Dave Wall, Managing Director

Tel: +61 8 9485 0990

Email: admin@88energy.com

Tel: +44 7976 248471

Finlay Thomson, Investor Relations

Hartleys Ltd

Dale Bryan

Tel: + 61 8 9268 2829

Cenkos Securities

Neil McDonald/Derrick Lee

Tel: +44 131 220 6939

This announcement contains inside information.

For personal use only

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

88 Energy Limited

ABN

80 072 964 179

Quarter ended ("current quarter")

30 September 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(3,822)	(26,668)
(b) development	-	-
(c) production	-	-
(d) staff costs	(560)	(1,245)
(e) administration and corporate costs	(606)	(1,291)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	22
1.5 Interest and other costs of finance paid	(602)	(1,800)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (JV Partner Contributions)	2,873	11,473
1.9 Net cash from / (used in) operating activities	(2,714)	(19,509)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	(52)	(52)
(c) investments	-	-
(d) other non-current assets	-	-

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other: a) Bond – State of Alaska	-	4,251
	b) JV Partner Contribution - Bond	-	(2,549)
2.6	Net cash from / (used in) investing activities	(52)	1,649
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	(6,530)	(6,530)
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(438)	(438)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (Fees for debt refinancing)	-	-
3.10	Net cash from / (used in) financing activities	6,092	6,092
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	19,596	21,723
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(14,691)	(19,509)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	1,702	1,649
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	6,092
4.5	Effect of movement in exchange rates on cash held	146	189
4.6	Cash and cash equivalents at end of period	10,144	10,144

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	10,144	6,674
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	10,144	6,674

6. Payments to directors of the entity and their associates

Current quarter \$A'000

6.1 Aggregate amount of payments to these parties included in item 1.2

285

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

-

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

6.1 Payments relate to Director and consulting fees paid to Directors. All transactions involving directors and associates were on normal commercial terms.

7. Payments to related entities of the entity and their associates

Current quarter \$A'000

7.1 Aggregate amount of payments to these parties included in item 1.2

13

7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

-

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

7.1 Payments relate to consulting fees paid to Director related entities. Consultant fees paid to associated entities were on normal commercial terms.
--

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
8.1 Loan facilities	15,764	15,764
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

- On the 23rd of March 2018, 88 Energy Lt's 100% controlled subsidiary Accumulate Energy Alaska Inc entered into a US\$ 16.5 million debt refinancing agreement to replace the existing Bank of America debt facility. The key terms to the facility are noted in the ASX announcement released on 26th of March 2018. The facility is secured by available Production Tax Credits.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation*	(365)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(350)
9.5 Administration and corporate costs	(300)
9.6 Other (provide details if material)**	(600)
9.7 Total estimated cash outflows	(1,615)

* Includes amounts relating to lease rentals, G&A, G&G, which are net of anticipated JV partner contributions.

** Includes amounts relating to costs associated with the Brevet debt interest costs.

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	N/A	Yukon leases acquired totalling ~1041 acres	~482,000 Gross acres	~483,000 Gross acres
10.2 Interests in mining tenements and petroleum tenements acquired or increased	N/A			

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:


.....
(Company Secretary)

Date: 22 October 2019

Print name: Ashley Gilbert

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

For personal use only