

This announcement contains inside information

88 Energy Limited

Project Longhorn - Texas Oil and Gas Production Update

Highlights

- Project Longhorn production in excess of 400 BOE per day gross (approx. 70% oil) at end of March.
- Over 30% increase in production rates since the acquisition completed in mid-February 2022.
- Successful completion of first planned capital-efficient work-over in March.
- Second work-over currently underway and a third to be executed immediately thereafter.
- 88 Energy benefiting from recent increases to oil price, further strengthening the cash returns from the high-margin oil production within the Project Longhorn portfolio.
- First cash distribution received in March (approx. A\$0.6 million net of OPEX / CAPEX).

88 Energy Limited (ASX:88E, AIM:88E, OTC:EEENF) (**88 Energy** or the **Company**) is pleased to provide an update on operations at its recently acquired Project Longhorn conventional oil and gas production assets in the proven Permian Basin, onshore Texas, U.S. 88 Energy has a circa 73% average net working interest in these established production assets, which have independently certified net 2P reserves of 2.05 MMBOE.

In March 2022, the Operator of the Longhorn production assets, Lonestar I, LLC, successfully completed the first of a series of capital-efficient work-overs planned after the completion of the Longhorn acquisition. This work-over was completed on time and on budget and has delivered an immediate increase to the total oil and gas production rates of the project.

Production from the Longhorn wells exceeded 400 BOE per day gross (over ~300 BOE per day net and approx. 70% oil) at the end of March 2022. This represents an increase of over 30% since the completion of the acquisition in mid-February 2022. The production increase provides additional direct exposure to the higher WTI oil price environment and accelerates pay-back on both the acquisition of the assets and the capital investment in the work-overs.

Project Longhorn has exceptionally low operating costs (lifting costs), which provides high margins from production. First cash receipts from Project Longhorn were received by 88 Energy in March 2022, which comprised a payment of approximately A\$0.6 million (net to 88 Energy and net of OPEX/CAPEX).

Project Longhorn remains on track to complete the targeted seven capital development activities this year, which is expected to approximately double current production rates by the end of CY2022.

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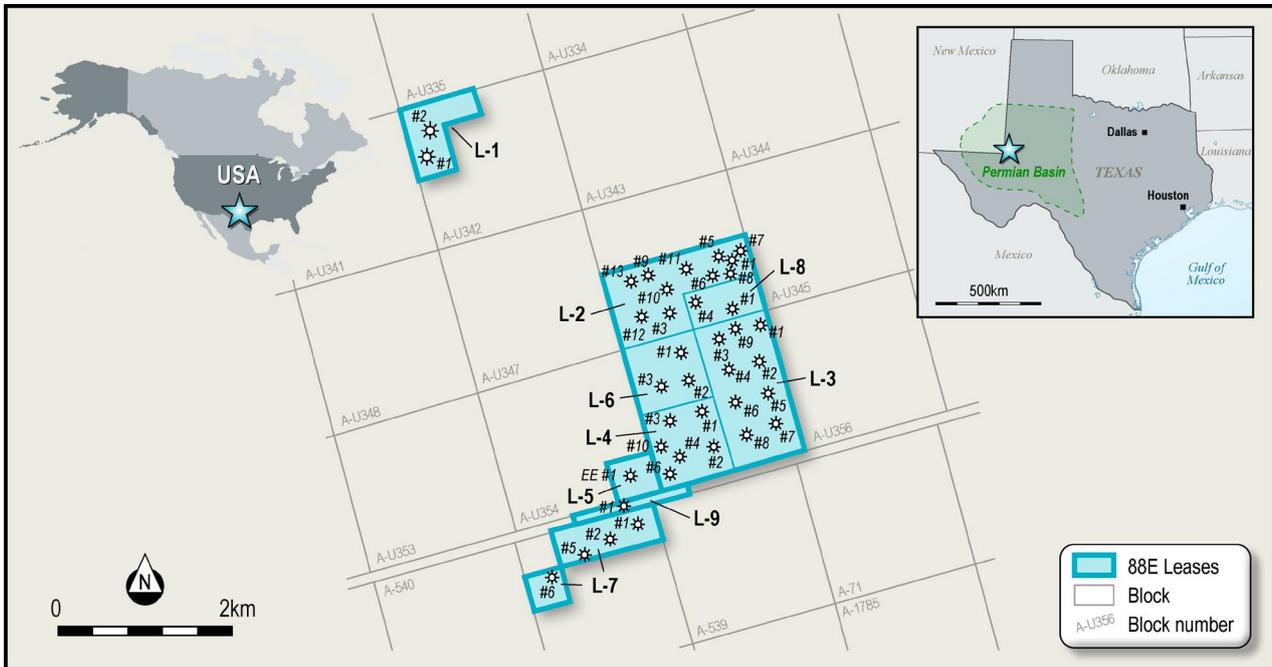
The acquisition of Project Longhorn in Q1 CY2022 represents 88 Energy’s first move into producing oil and gas assets and is in line with the Company’s strategy to build a successful exploration and production company. This initial step has been undertaken in a measured fashion via the purchase of a non-operated working interest with a single basin focus. Project Longhorn contains well understood geology with low technical risk and provides near-term upside via low-cost field development opportunities.

88 Energy Managing Director and CEO, Ashley Gilbert, commented:

“88 Energy is pleased with the production performance at Project Longhorn, especially in this high oil price environment. We are also highly encouraged by the successful delivery by the Operator of the first planned work-over, as well as the continued progress of the agreed capital development program for 2022. This program is expected to result in strong cash flow outcomes and further direct exposure to the current high energy prices.”

“88 Energy is in a solid financial position, with zero debt and a healthy cash balance that is expected to be further strengthened with projected cash flows from Project Longhorn’s Texas production assets.”

Project Longhorn – conventional onshore oil and gas in Texas



88 Energy acquired the Project Longhorn assets in February 2022. Longhorn is located in the attractive and proven Permian Basin, and consists of a total landholding exceeding 1,300 net acres. The assets comprise 9 leases with 32 producing wells and associated infrastructure. Lonestar I, LLC retains an approximate 24% net working interest in the assets and, through an affiliate will remain Operator. The remaining working interests are retained by pre-existing joint venture partners.

As part of the acquisition, 88 Energy has agreed to a low-cost work program for CY2022 that includes seven work-overs. These initiatives are expected to approximately double production rates by the end of CY2022.

The acquisition of a working interest in Project Longhorn delivers 88 Energy immediate cashflow, as well as further low-cost capital development upside providing appealing forecast economics:

- Gross capital development activities costing: from US\$0.7 million to US\$1.4 million depending on the type of drilling or work-over performed.
- Target development IRRs: 75% to 400% depending on the type of drilling or work-over performed.
- Target capital expenditure payback: 7-18 months depending on the type of drilling and completion performed and future oil prices.
- Target break-even WTI oil price: US\$21/bbl – US\$28/bbl depending on the type of drilling or work-over performed.

Gross (100%) and Net Entitlement Reserves to 88 Energy (~73% average net working interest) have been independently assessed by Odin Reservoir Consultants Pty Ltd as at 31 December 2021 as follows:

Table 1: Project Longhorn Reserves (barrels of oil equivalent; millions)

GROSS RESERVES			NET 88 ENERGY REVENUE ENTITLEMENT		
1P	2P	3P	1P	2P	3P
2.78	3.46	4.00	1.64	2.05	2.33

Further ASX Listing Rule 5.31 Information (Notes to Reserves) related to these Reserves is provided in Appendix 1 of the announcement dated 21 February 2022 as released on the ASX, AIM and OTCQB markets.

Reserves Cautionary Statement

Oil and gas reserves and resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates that were valid when originally calculated may alter significantly when new information or techniques become available. Additionally, by their very nature, reserve and resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional drilling and analysis, the estimates are likely to change. This may result in alterations to development and production plans which may, in turn, adversely impact the Company's operations. Reserves estimates and estimates of future net revenues are, by nature, forward looking statements and subject to the same risks as other forward-looking statements.

This announcement has been authorised by the Board.

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Glossary

Bbl = barrels

Bcf = billion cubic feet

Bcfg = billion cubic feet of gas

Boe = barrels of oil equivalent

Bopd = barrels of oil per day

Btu = British Thermal Units

mcfg = thousand cubic of gas

mmcfg = million cubic feet of gas

mcfcpd = thousand cubic feet of gas per day

mmcf = million cubic feet

Mbo/Mbbl = thousand barrels of oil

MMbo/MMbbl = million barrels of oil

Mboe = thousand barrels of oil equivalent

MMboe = million barrels of oil equivalent

Mcf = thousand cubic feet

MMcf = million cubic feet

mmbtu = million British Thermal Units

psi = pounds per square inch

UoM = unit of measure

WTI = West Texas Intermediate crude oil price, quoted in US\$ per barrel