



19 July 2017

## QUARTERLY REPORT

### Report on Activities for the Quarter ended 30 June 2017

The Directors of 88 Energy Limited ("88 Energy" or the "Company", ASX & AIM:88E) provide the following report for the quarter ended 30 June 2017.

#### Highlights

- **Spud of Icewine#2 Production Test well occurred on 24<sup>th</sup> April 2017, with the following key project milestones;**
  - The Arctic Fox drilling rig reached a Total Depth of 11,450' on 15<sup>th</sup> May 2017, on schedule and without incident;
  - Wireline logging successfully completed throughout the production interval;
  - Stage 1 and Stage 2 stimulation operations completed successfully, with over 98% of the intended proppant volume placed in the HRZ reservoir;
  - Flowback commenced on 19<sup>th</sup> June 2017 with ~16% of stimulation fluid recovered prior to shut in on 10<sup>th</sup> July 2017, with trace hydrocarbons encountered during flowback; and
  - Drilling and production testing expenditure anticipated to be within budget.

#### Key Events Subsequent to the Quarter End

The well was shut in on 10<sup>th</sup> July 2017 for an anticipated period of 6 weeks to allow for pressure build up and imbibition to occur.

#### Icewine#2 Operations

On 6<sup>th</sup> April 2017, approval of the Permit to Drill was granted by the Alaskan Oil and Gas Conservation Commission ('AOGCC') and shortly thereafter on 24<sup>th</sup> April the Icewine#2 well was spudded with the Arctic Fox rig.

The well reached a Total Depth ('TD') of 11,450' on the 15<sup>th</sup> of May, on schedule and without incident. Wireline logging, cementing the 4.5" production liner and demobilisation of the Arctic Fox rig was completed by the end of May.

Log interpretation to finalise the stimulation design was completed in early June, and the two stage artificial stimulation of the HRZ reservoir was successfully completed on 19<sup>th</sup> June, with over 98% of the intended proppant volume placed into the HRZ reservoir.

Flow back from the upper zone commenced on 19<sup>th</sup> June, with approximately 8% of the total stimulation fluid recovered before it became apparent that the upper and lower zones were in communication, which consequently resulted in the drill out of the plug between the upper and lower zones.

Subsequent to period end the well was shut in on 10<sup>th</sup> July 2017 for an anticipated period of 6 weeks, with ~16% of stimulation fluid recovered prior to shut in.

**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:

- Exploration and evaluation expenditure of A\$13.7m primarily relating to Icewine#2 operations and lease rental payments to the State of Alaska;
- Payments to the Bank of America in relation to the debt facility totalled A\$0.6m (US\$0.5m);
- Administration and other operating costs A\$1.0m (March 2017 of A\$0.9m); and
- Proceeds from issue of shares resulting from the conversion of options and warrants totalled A\$0.5m.

At the end of the quarter, the Company had cash reserves of A\$31.6m, including cash balances held in Joint Venture bank accounts.



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, Mr Brent Villemarette, who is a Non Executive Director of the Company. Mr Villemarette has more than 35 years' experience in the petroleum industry, is a member of the Society of Petroleum Engineers, and a qualified Reservoir Engineer 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. Mr Villemarette 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.

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This announcement contains inside information.



**About 88 Energy:** 88 Energy has a 77.5% working interest and operatorship in ~271,000 acres onshore the prolific North Slope of Alaska (“Project Icewine”). Gross contiguous acreage position will expand on award of additional leases successfully bid on in the December 2016 State of Alaska North Slope Licensing Round. The North Slope is the host to 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 highly prospective play types that are likely to exist on the Project Icewine acreage – two conventional and one unconventional. The large unconventional 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 Trans Alaska Pipeline System. The Company acquired 2D seismic in early 2016 to take advantage of the globally unique fiscal system in Alaska, which allowed for up to 75% of 1H2016 exploration expenditure to be rebated in cash. Results from the seismic mapping and prospectivity review are encouraging, and form the basis of a conventional prospectivity portfolio for Project Icewine. In late 2015, the Company completed its maiden well at the project, Icewine#1, to evaluate an unconventional source rock reservoir play which yielded excellent results from analysis of core obtained from the HRZ shale. The follow-up well with a multi-stage stimulation and test of the HRZ shale, Icewine#2, spudded in 2Q 2017 with operations ongoing at 30 June 2017.

## 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 June 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	79	102
1.2 Payments for		
(a) exploration & evaluation	(13,741)	(15,005)
(b) development	-	-
(c) production	-	-
(d) staff costs	(384)	(735)
(e) administration and corporate costs	(632)	(1,206)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	5
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (JV Partner Contributions – Burgundy Xploration)	6,626	6,626
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(8,048)</b>	<b>(10,213)</b>

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

## Mining exploration entity and oil and gas exploration entity quarterly report

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
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 (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>-</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	17,091
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	545	545
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(1,250)
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 (provide details if material)	(665)	(665)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(120)</b>	<b>15,721</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	39,677	27,303
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(8,048)	(10,213)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(120)	15,721
4.5	Effect of movement in exchange rates on cash held	45	(1,257)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>31,554</b>	<b>31,554</b>

5. <b>Reconciliation of cash and cash equivalents</b> 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	31,554	39,677
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>31,554</b>	<b>39,677</b>

6. <b>Payments to directors of the entity and their associates</b>	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	182
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 All transactions involving directors and associates were on normal commercial terms.	

7. <b>Payments to related entities of the entity and their associates</b>	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	81
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 Consultant fees paid to associated entities were on normal commercial terms.	

## Mining exploration entity and oil and gas exploration entity quarterly report

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$US'000</b>	<b>Amount drawn at quarter end \$US'000</b>
8.1 Loan facilities	17,710	17,710
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 20 August 2015, 88 Energy entered into a credit agreement with the Bank of America. The facility is secured by available Production Tax Credits.

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation*	(17,600)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(370)
9.5 Administration and corporate costs	(550)
9.6 Other (provide details if material)	(210)
<b>9.7 Total estimated cash outflows</b>	<b>(18,730)</b>

\* Includes amounts relating to lease rentals, lease acquisition, seismic acquisition & interpretation, G&A, G&G, expenditure on Icewine#2 operations including potential refund to JV partners for activities achieved under budget.

<b>10. Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	<b>Tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	N/A			
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: 19 July 2017

Print name: Sarah Smith

### 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.