



31 January 2018

## QUARTERLY REPORT

### Report on Activities for the Quarter ended 31 December 2017

The Directors of 88 Energy Limited ("88 Energy" or the "Company", ASX & AIM:88E) provide the following report for the quarter ended 31 December 2017.

#### Highlights

- **Icewine#2 Operations Update;**
  - The optimised completion and artificial lift solution is being finalised ahead of the recommencement of flow testing of the HRZ shale at Icewine#2. Flow testing is scheduled to recommence in Q2 2018;
- **Conventional Exploration Portfolio Update;**
  - New legacy 2D seismic reprocessing highlights additional play potential, with stacked leads identified offering the opportunity to test multiple objectives;
  - 3D seismic survey contract awarded in the quarter, with acquisition scheduled to commence Week 1 February 2018;
- **Lease position expanded;**
  - Net acreage position expanded during the quarter to 286,589 acres, with additional acres awarded in October 2017 from the State of Alaska December 2016 Licensing Round, and
  - 88 Energy, via its subsidiary companies, was announced highest bidder on an additional ~32,800 gross acres in the State of Alaska December 2017 Licensing Round, with formal award expected in 2018.

#### **Icewine#2 Operations Update**

The Icewine#2 well was shut in on 18 September 2017 with flow testing deferred during Northern Hemisphere winter.

During the winter shut-in period, further evaluation and analysis is being conducted to determine the impact, if any, of the productivity performance of the Icewine#2 well on the probability of success of the HRZ play at the Franklin Bluffs location and over the broader play fairway. To date, pore throat size and fracture half length analysis has been conducted, with no impediments identified.

Flow testing of the HRZ at Icewine#2 will recommence in April/ May 2018 via an optimised completion using artificial lift.



## Conventional Exploration Portfolio Update

The competitive tender process for the 2018 Icewine 3D seismic survey was finalised with the contract awarded to Geokinetics Proprietary Inc.

The 3D survey covers approximately 500 square kilometres and has been designed to delineate and mature the conventional portfolio with the objective to select drilling candidates for farm-out, prior to exploration drilling in Winter 1H 2019. Several notional well locations are significantly progressed in regards to the major permits required ahead of drilling.

The 3D seismic acquisition is scheduled to commence Week 1 February 2018, subject to formal tundra opening by the State of Alaska. The 3D survey is planned to continue until mid March 2018 with length of the survey dependent on weather conditions.

During the quarter seismic interpretation and mapping of 1600 line km of legacy 2D data, reprocessed by the Company, was finalised across the Project Icewine acreage.

The final seismic interpretation of the reprocessed 2D data was highly encouraging.

A portfolio of large conventional leads totalling 1.89 billion barrels gross mean prospective recoverable resources (unrisked); 1.045 billion barrels net mean to 88 Energy, has been matured including additional new potential delineated. A portion of the leads correlate with potential reservoir and oil shows in regional wells and display AVO response.

PROJECT ICEWINE CONVENTIONAL PORTFOLIO					
Prospective Recoverable Resources MMBO					
Leads	NOVEMBER 2017: Post Mapping & Interpretation of Reprocessed 2D				
	Unrisked				
Q4 2017 REVIEW	Low	Best	High	Gross Mean	Net Mean to 88E
<b>WESTERN PLAY FAIRWAY</b>					
Bravo	129	215	357	232	180
Lima	281	457	731	488	190
Stellar	64	150	353	187	136
Mike	90	166	293	182	54
Rose	98	171	287	185	103
Victor	20	31	47	33	25
Charlie West	15	25	42	27	21
Oscar	15	27	47	29	23
Papa	8	14	25	15	12
Charlie 4 Way	9	15	24	16	12
<b>CENTRAL PLAY FAIRWAY</b>					
Echo	60	138	293	162	121
Golf	106	193	339	211	72
<b>EASTERN PLAY FAIRWAY</b>					
Alpha	19	71	263	118	91
Romeo	2	3	5	4	3
Sierra	1	2	3	2	2
<b>FINAL TOTAL</b>				<b>1,891</b>	<b>1,045</b>



*Prospective Resources classified in accordance with SPE-PRMS as at 24<sup>th</sup> November 2017 using probabilistic and deterministic methods on an unrisksed basis. Leads identified from interpretation of modern 2D seismic acquired in 2015/2016 and legacy reprocessed 2D seismic of varying vintages post 1980 across Project Icewine, which comprises 460,000\* gross acres on the Central North Slope of Alaska. 88 Energy is Operator of record at Project Icewine (through its wholly owned subsidiary Accumulate Energy Alaska, Inc) with a ~75% working interest over the majority\* of the conventional play fairway where the leads have been mapped.*

*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*

*\* Operator on ~252,000 net acres*

The conventional leads are predominantly a combination of stratigraphic / structural traps and the planned 3D survey is considered crucial to mitigate exploration risk and attract a farm-out partner.

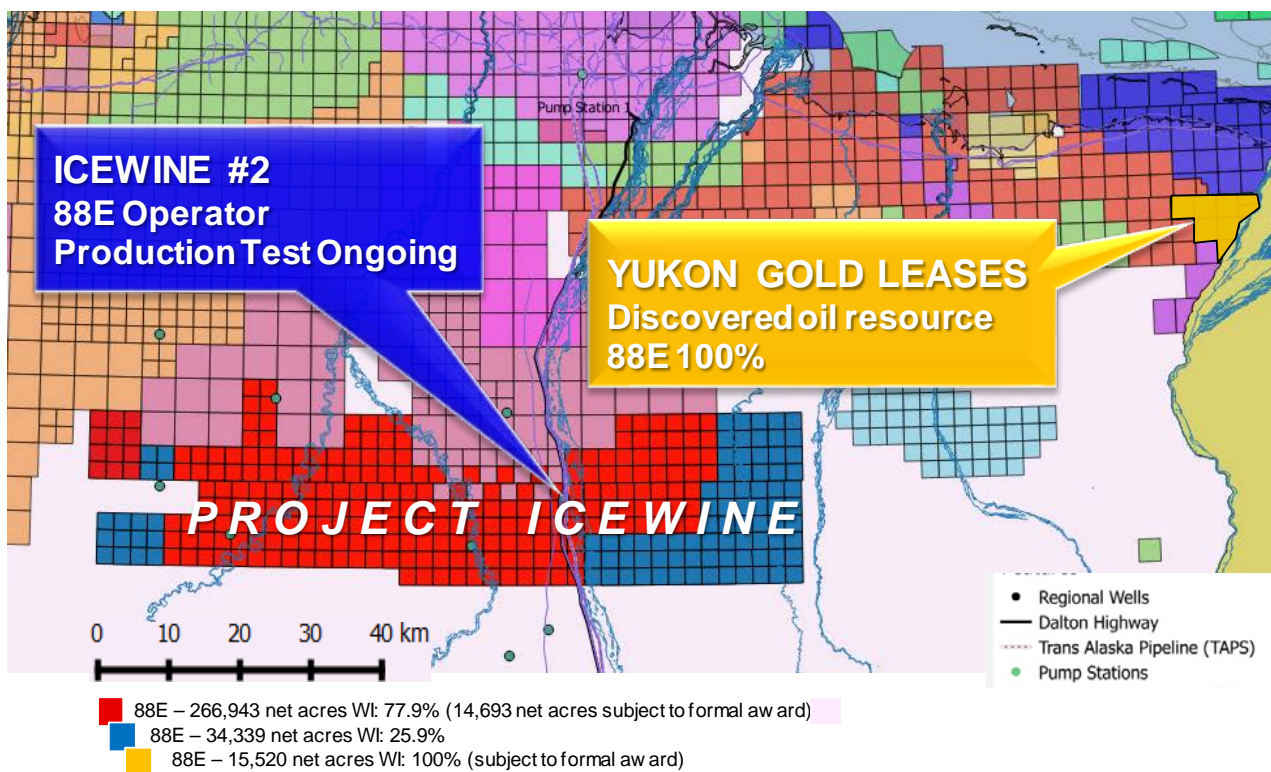
Deeper potential has been identified on the reprocessed 2D dataset including stacked Torok and Seabee Formation basin floor sands associated with lowstand events. This provides the opportunity to test multiple objectives by an exploratory well in the Western Play fairway. This play type is broadly analogous to the Meltwater/ Tarn depositional system to the north of our acreage.

## Lease Position Expanded

The Project Icewine Joint Venture was formally awarded, and final payment made for, further acreage in October 2017, which was part of a broader package of successful bids submitted in the North Slope Areawide 2016 lease sale, taking the total under lease to 286,589 net acres. Given the ongoing testing and analysis of Icewine#2, the Company strategy on selection of leases awarded was based on acreage with the greatest potential for both conventional and unconventional prospectivity.

In addition, 88 Energy Ltd, via its subsidiary companies, Accumulate Energy Alaska Inc. and Regenerate Alaska Inc., was announced as high bidder on 32,800 gross acres on 6<sup>th</sup> December 2017, as part of the North Slope Areawide 2017W lease sale. Approximately, 50% of these new leases are associated with the historic Yukon Gold oil discovery, which is currently undergoing internal assessment for prospectivity.

The current awarded lease position for the Joint Venture as at 31 December 2017 is summarised below.



## 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\$3.0m net primarily relating to Icewine#2 operations, lease rental payments to the State of Alaska and also expenditure associated with the 2D seismic reprocessing and interpretation;
- Payments to the Bank of America in relation to the debt facility interest totalled A\$0.5m (US\$0.3m);
- Administration and other operating costs A\$0.8m (Sept'17 Quarter A\$1.0m); and
- Payments for the acquisition of further acreage totalled A\$1.0m net.



At the end of the quarter, the Company had cash reserves of A\$14.0m, 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.

Media and Investor Relations:

**88 Energy Ltd**

Dave Wall, Managing Director

Tel: +61 8 9485 0990

Email: [admin@88energy.com](mailto:admin@88energy.com)

**Finlay Thomson**, Investor Relations

Tel: +44 7976 248471

**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.





**About 88 Energy:** 88 Energy has a 77.5% working interest and operatorship over the majority of the company's 286,589 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 2017 State of Alaska North Slope Areawide 2017W lease sale. The North Slope is 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 – multiple 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 original seismic mapping and prospectivity review were encouraging; the conventional portfolio was updated in Q4 2017. The Company completed its maiden well at the project, Icewine#1, in late 2015 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, was spudded in 2Q 2017. Operations are currently suspended for winter, with further flow testing scheduled for April / May 2018 with an optimised completion and artificial lift. The Company plan to acquire 3D seismic across Project Icewine in Q1 2018 over the western area of the acreage to mature up potential drilling candidates for the Winter 2019 season.

## 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")

31 December 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	102
1.2 Payments for		
(a) exploration & evaluation	(4,352)	(28,478)
(b) development	-	-
(c) production	-	-
(d) staff costs	(331)	(1,461)
(e) administration and corporate costs	(506)	(2,268)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	12
1.5 Interest and other costs of finance paid	(499)	(814)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (JV Partner Contributions – Burgundy Xploration)	1,334	8,109
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(4,354)</b>	<b>(24,798)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	(3,510)	(5,602)
(c) investments	-	-
(d) other non-current assets	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 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 (JV Partner Contributions – Burgundy Xploration)	2,532	3,215
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(978)</b>	<b>(2,387)</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	8	553
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)	-	(667)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>8</b>	<b>15,727</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	19,214	27,303
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,354)	(24,798)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(978)	(2,387)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	8	15,727
4.5	Effect of movement in exchange rates on cash held	124	(1,831)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>14,014</b>	<b>14,014</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	14,014	19,214
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>14,014</b>	<b>19,214</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 Payments relate to Director and consulting fees paid to Directors. 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	24
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. Consulting fees paid 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	16,519	16,519
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*	(8,100)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(390)
9.5 Administration and corporate costs	(500)
9.6 Other (provide details if material)	(480)
<b>9.7 Total estimated cash outflows</b>	<b>(9,470)</b>

\* Includes amounts relating to lease rentals, 3D seismic acquisition, G&A, G&G, expenditure on Icewine#2 operations. Amount is net of anticipated JV partner contributions.

<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	North Slope Alaska	Joint Venture – 88 Energy Net acreage interest*	259,114	286,589

\* Refer to announcement dated 25 October 2017 for leases awarded in October 2017 in relation to the December 2016 Bid Round. Note also, a further ~32,800 additional acres are subject to formal award relating to the December 2017 North Slope Lease Sale, anticipated in mid-2018.

Note, of the A\$3.5 million (US\$ 2.7) gross paid by 88E's subsidiaries on behalf of the Icewine Joint Venture, 88E's net share of lease payments totalled ~ A\$ 1.0 million (US\$0.7 million).

### **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:

Date: 31 January 2018

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.