



18th April 2019

QUARTERLY REPORT

Report on Activities for the Quarter ended 31 March 2019

The Directors of 88 Energy Limited (“88 Energy” or the “Company”, ASX & AIM:88E) provide the following report for the quarter ended 31 March 2019.

Highlights

Project Icewine

- The Conventional farm-out campaign continued in the quarter, with the deadline for bids extended to end January due to demand from multiple parties. After consideration, a preferred bidder was selected by the Company in March 2019;
- Subject to the negotiation of terms and conditions, the Conventional portfolio farm-out deal is targeted in Q2 2019, with the intention to drill an exploration / appraisal well in 2020; and
- Unconventional portfolio evaluation work continued in Q1, with a farm-out launch planned mid 2019.

Western Blocks – Winx-1

- The Permit to Drill for the Winx-1 exploration well was approved by the Alaska Oil and Gas Conservation Commission (AOGCC) on the 16th January;
- The Winx-1 exploration well spudded on schedule on 15th February, with the well intersecting all the of the pre-drill targets safely and efficiently;
- Total Depth of 6,800’ was reached on the 3rd March 2019, having intersected all targets, including the primary Nanushuk Formation Topset objective;
- Petrophysical analysis of the wireline logging program indicated low oil saturations in both the primary Nanushuk Topset objectives and the Torok objective, with testing and fluid sampling indicating that reservoir quality and fluid mobility at this location are considered insufficient to warrant production testing;
- The Winx-1 well was successfully plugged and abandoned on the 18th March,2019 (AK time);
- Both the Nordic#3 rig and associated services were fully demobilised prior to the end of the quarter; and
- Drilling operations were completed on time and without incident, and it is anticipated that well costs will be on or slightly under budget.

Yukon Acreage

- Processing of the Yukon 3D seismic is complete, with interpretation and resource evaluation currently underway on the inversion product.

Project Icwine

- **Project Icwine Conventional**

A fast track farm-out campaign commenced in August 2018, whilst processing of newly acquired 3D seismic (March 2018) was still underway. Processing was finalised in October 2018, including inversion, marking the first time that potential farminees could comprehensively assess the mapped conventional resource potential on the Western Play Fairway at Project Icwine. Consequently, requests were made by potential farminees for more time to evaluate the opportunity, which the Company granted.

The farm-out process has now progressed to the next stage, with a preferred bidder selected and discussions underway. The Company advises that there is no guarantee that the parties will agree terms and close out the transaction. A further announcement will be made in due course on the outcome of the ongoing negotiations, which are currently confidential in nature.

- **Exploration/transactional activity near Icwine highlights potential of the acreage**

The last 18 months have seen a significant increase in interest in the acreage to the west of Project Icwine and on the same latitude, marking a southerly trend in exploration focus. ConocoPhillips acquired 3D seismic in 2018, ~15 miles west of the Project Icwine Western Margin Leases. The Company is also aware of a multi-client 3D seismic acquisition planned immediately to the west of, and adjacent to, the Project Icwine acreage (see image).



Additional near term transactional activity by others is expected associated with the on sale of an option acquired by Oil Search in 2017. This option expires in June 2019 and includes acreage immediately to the south of the Western Blocks (where Winx-1 was recently drilled) and immediately west of Project Icwine (where the multi-client 3D seismic acquisition is planned).

- **Project Icwine Unconventional**

Baker Hughes and the United States Geological Society (USGS) continue to apply advanced evaluation techniques to the HRZ shale play, including additional tests on both core and cuttings obtained from the drilling of the Icwine-1 and Icwine-2 wells.

The Company continues to receive third party interest in the HRZ shale project and anticipates being able to integrate the data from the current evaluation into a dataroom by mid-2019 in order to commence a formal farm-out process.

- **Purchase of Outstanding Tax Credits and an Additional Tax Credit Certificate Granted**

On the 9th of January the Alaskan Department of Revenue (“DoR”) informed the Company of the purchase of US\$1.57 million in tax credits, with the funds received directly applied against the Brevet debt facility. Debt outstanding at the end of the quarter totalled US\$15.4 million.

Further, on the 26th of March, the Company was informed by the Alaska DoR that it had issued a Credit Certificate to Accumulate Energy Alaska Inc., (100% owned subsidiary of 88 Energy Ltd), for US\$2.35m related to CY2016 2D seismic expenditure. The total expected cashable credits owed by the State to 88E at quarter end was US\$19.1 million, which is far in excess of debt outstanding of US\$15.4 million.

Western Blocks

- **Operations**

The Permit to Drill for the Winx-1 exploration well was approved by the Alaska Oil and Gas Conservation Commission (AOGCC) on the 16th January 2019, and with the completion of the construction of the ~11 mile ice road in late January the Nordic#3 rig was mobilised and arrived at the drill site location as planned on the 7th February.

Spud of the Winx-1 exploration well occurred on schedule on 15th February 2019, with the well intersecting all the of the pre-drill targets safely and efficiently. Total Depth of 6,800' was reached on the 3rd March 2019, with multiple potential pay zones identified in the Nanushuk Formation Topset Play (primary targets) and Torok Formation (secondary targets).

The Winx-1 well was plugged and abandoned on the 18th March 2019, with the rig and associated services fully demobilised prior to the end of the quarter. Drilling operations were completed on time and without incident, and it is anticipated that well costs have come in on or slightly under budget

- **Winx-1 Results**

Petrophysical interpretation of the LWD data at Winx-1 indicated elevated resistivities associated with increased mud gas ratios (C1 – C5) in the distinctive Nanushuk Topset sequence, comparable with other successful neighbouring wells in the Nanushuk play fairway. Early indications were encouraging and, on this basis, a comprehensive wireline program was undertaken to further evaluate the interval of interest.

The wireline program was designed to fully evaluate and quantify the reservoir potential and associated shows in the Nanushuk Topsets. The suite comprised specialist logging tools capable of quantifying laminated pay zones, including nuclear magnetic resonance; a triaxial induction tool that measures both horizontal and vertical resistivity, and an MDT program to determine pressure gradients and sample fluids from the zones of interest.

Wireline results indicate low oil saturations in the Nanushuk Topsets not conducive to successfully flowing the formation, as borne out by the MDT sampling results, which did not retrieve hydrocarbon samples. Reservoir properties appear to be compromised by dispersed clay in the matrix at Winx-1. This clay is often present in other successful Nanushuk wells but in discrete laminations with decent quality, high resistivity, oil saturated sandstones in between. The dispersed clay in the Nanushuk at Winx impacts both fluid mobility and oil saturations. The clay serves to bind much of the fluid present in place so that it cannot flow. It also occupies pore space within the formation, resulting in a lower relative hydrocarbon saturation. This means that, whilst oil is present in the reservoir, there is less of it and it is not mobile. Further evaluation will be undertaken post drill to fully understand the implications of the petrophysical results

The reservoir performance in the Torok Channel Sequence was better than the Nanushuk in the Winx-1 well, as evidenced by relatively faster influx of fluid during MDT sampling. On completion of the wireline logging program it is apparent that the oil saturations in the Torok zone of interest are also low and not conducive to hydrocarbon flow. The oil saturations are evidence of an active petroleum system / charge and further work is required to determine whether there is an effective trapping mechanism at this location or elsewhere on the leases.

- Performance Bond**

In consideration for acquiring a working interest from Great Bear Petroleum in the Western Blocks the Company, and Consortium partners, provided a US\$3.0 million Performance Bond to the State of Alaska in July 2018 as part of the commitment to drilling an exploration well by May 31 2019.

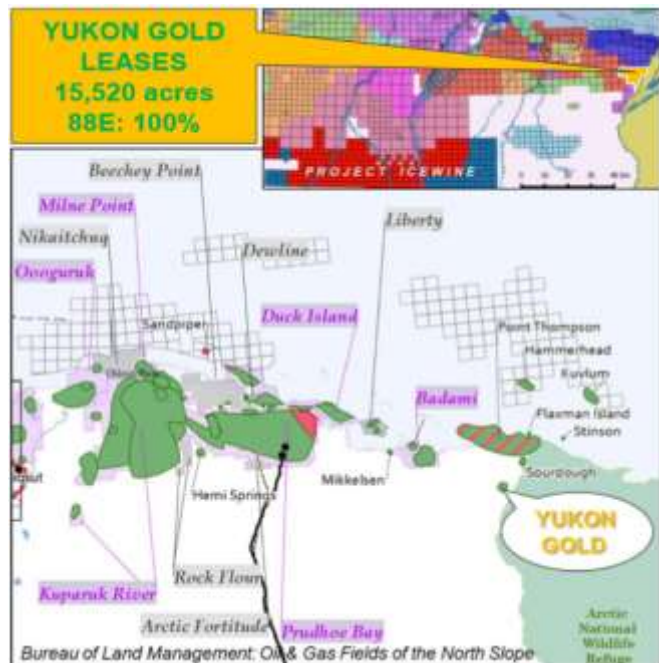
On satisfying the requirement of drilling an exploration well on the acreage 88 Energy have earned the rights to a 36% working interest on the acreage. Well data was submitted to the Department of Natural Resources, Division of Oil and Gas in March to initiate the release of the US\$3.0 million performance bond, (US\$1.2 million net to 88E), having fulfilled the requirement of drilling an exploration well by May 31 2019.

- Forward Plan**

The forward plan is to further evaluate and integrate the valuable data acquired at Winx-1, reprocess the Nanuq 3D seismic (2004) in order to evaluate the remaining prospectivity on the Western Leases including the Nanushuk Fairway potential.

Yukon Leases

Final processing of the Yukon 3D seismic was completed in the quarter, with interpretation and resource evaluation currently underway on the inversion product. As previously reported, a number of prospective horizons have been identified on the acreage, including the Cascade lead, which was intersected peripherally by Yukon Gold-1, drilled in 1994, and classified as an historic oil discovery. The Yukon Leases are located adjacent to ANWR and in close proximity to existing infrastructure





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 totalled A\$8.3m (gross), primarily associated with the Winx-1 drilling operations;
- Payments in relation to the debt facility interest totalled A\$0.6m (US\$0.6m); and
- Administration and other operating costs A\$0.6m (Dec'18 Quarter A\$1.0m).

At the end of the quarter, the Company had cash reserves of A\$19.6m, including cash balances held in Joint Venture bank accounts relating to Joint Venture Partner contributions totalling \$7.0m.

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	~528,000	66%	66%
Yukon Gold	Onshore, North Slope Alaska	15,312 ¹	100%	100%
Western Blocks	Onshore, North Slope Alaska	22,711	0%	36%

¹ 1,118 acres subject to formal award

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

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.

www.88energy.com

ABN 80 072 964 179

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 March 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(8,273)	(8,273)
(b) development	-	-
(c) production	-	-
(d) staff costs	(329)	(329)
(e) administration and corporate costs	(262)	(262)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	7	7
1.5 Interest and other costs of finance paid	(610)	(610)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (JV Partner Contributions)	7,362	7,362
1.9 Net cash from / (used in) operating activities	(2,105)	(2,105)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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	-	-
	b) JV Partner Contribution - Bond	-	-
2.6	Net cash from / (used in) investing activities	-	-
3. Cash flows from financing activities			
3.1	Proceeds from issues of shares	-	-
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	-	-
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	-	-
4. Net increase / (decrease) in cash and cash equivalents for the period			
4.1	Cash and cash equivalents at beginning of period	21,723	21,723
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,105)	(2,105)
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)	-	-
4.5	Effect of movement in exchange rates on cash held	(22)	(22)
4.6	Cash and cash equivalents at end of period	19,596	19,596

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	19,596	21,723
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)	19,596	21,723

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	170
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	15,405	15,405
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*	(5,700)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(350)
9.5 Administration and corporate costs	(380)
9.6 Other (provide details if material)**	(550)
9.7 Total estimated cash outflows	(6,980)

* Includes amounts relating to lease rentals, 3D seismic inversion, G&A, G&G, expenditure on Winx-1 drilling operations which are net of anticipated JV partner contributions and return of the Alaskan DnR Bond.

** 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			
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:  Date: 18 April 2019
(Company Secretary)

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.