



31st July 2019

QUARTERLY REPORT

Report on Activities for the Quarter ended 30 June 2019

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

Highlights

Project Icewine

- Project Icewine Conventional: farm-out process continued in Q2 with preferred bidder;
 - Third party due diligence process completed in the quarter;
 - Farminee internal approvals complete prior to end of June 2019.
- Project Icewine Unconventional: advanced FIB-SEM and HAWK analysis undertaken during the quarter which significantly advanced the understanding of the HRZ shale play;
 - Majority of acreage remains within revised prospectivity fairway;
 - Additional application of FIB-SEM underway to validate fairway revision;
 - Franklin Bluffs (Icewine#2 location) considered to be marginally outside revised fairway;
 - Formal farm-out process deferred to 2H 2019 – soft farm-out underway with continued third party interest.

A more detailed update on the conventional farm-out will be provided in early August.

Yukon Acreage

- Discussions underway with nearby resource owners to optimise the monetisation strategy of the acreage.

Western Blocks – Winx-1

- The aggregation of additional data ongoing in Q2, with tender for reprocessing work to occur 3Q 2019;
- Final Winx-1 well cost \$14.3 million, \$0.5 million under budget.



Project Icewine

- **Project Icewine 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 Icewine. Consequently, requests were made by potential farminees for more time to evaluate the opportunity, which the Company granted.

The farm-out process progressed to the next stage at the end of Q1 with a preferred bidder selected with negotiations ongoing in quarter, with indicative terms agreed and due diligence completed.

Farminee internal approvals were complete at the end of June 2019.

- **Project Icewine Unconventional**

Finalisation of advanced analysis using state-of-the-art technology has significantly advanced the Joint Venture understanding of the nature of the HRZ play. This analysis has confirmed that the HRZ is an excellent source rock with good potential as an economic shale play.

The nature of the dominant kerogen in the HRZ has been demonstrated to be prone to more rapid transformation into hydrocarbons than other shales initially used for comparison. This means that the thermal maturity window for volatile oil in the HRZ is at lower temperature than that typically seen in other plays. As a result, the Franklin Bluffs location (where both Icewine wells were drilled) is considered to be just outside the fairway. The kerogen in the HRZ at Franklin Bluffs has been converted largely to solid bitumen, with sub optimal intraparticle porosity and connectivity. The total porosity of the formation remains excellent – the effective kerogen porosity (pathways between the particles that contain the hydrocarbon); however, is lower than ideal. At slightly lower thermal maturity, it is prognosed that porosity/connectivity will be significantly improved.

The expansive leasing strategy employed by the Joint Venture means that the majority of the revised fairway for the play remains captured within the Project Icewine leasehold, with greater than 50% of the acres under lease considered prospective.

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. Consequently, the formal farm-out process will be deferred until 2H 2019 to allow for this work to be completed. The Joint Venture continues to field unsolicited third party interest in the HRZ shale play and an informal farm-out process is underway.

Western Blocks

Good progress was made in the quarter on integration of the Winx-1 well results into the existing 3D seismic volume. Additional data, that will aid in the evaluation process for the Western Blocks, has been identified. The forward program will be to access this data and reprocess and reinterpret the 3D seismic. It is anticipated that the evaluation work will be completed towards the end of CY2019.

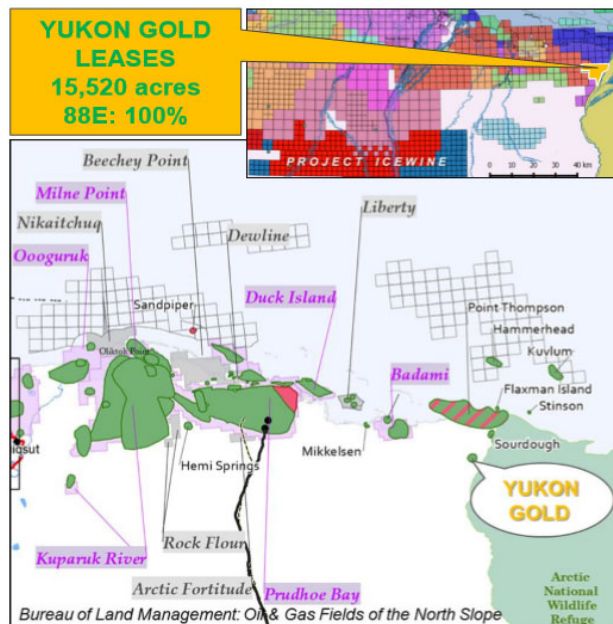
In consideration for acquiring a working interest from Great Bear Petroleum in the Western Blocks the Company, and Consortium partners, provided a US\$3.0 million Performance Bond (US\$1.2 million net to 88E) to the State of Alaska in July 2018, which was refunded by the Department of Natural Resources, Division of Oil and Gas in the quarter having fulfilled the requirement of drilling an exploration well by May 31 2019.

Yukon Leases

Discussions have been initiated by the Company 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.

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.





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\$14.5m (gross), primarily associated with the Winx-1 drilling operations and Icewine lease rentals;
- Payments in relation to the debt facility interest totalled A\$0.6m (US\$0.4m); and
- Administration and other operating costs A\$0.8m (Mar'19 Quarter A\$0.6m).

At the end of the quarter, the Company had cash reserves of A\$6.7m, including cash balances held in Joint Venture bank accounts relating to Joint Venture Partner contributions totalling \$0.4m.

Appointment of Joint Company Secretary

The Board is please to announce the appointment of Mr Ashley Gilbert as Joint Company Secretary, effective 1 August 2019, together with Ms Sarah Smith who will continue as Company Secretary. Mr Gilbert is also the Chief Financial Officer of 88 Energy Limited and has significant financial, compliance and corporate governance experience.

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%
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 (received July 2019)

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.

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 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(14,573)	(22,846)
(b) development	-	-
(c) production	-	-
(d) staff costs	(356)	(685)
(e) administration and corporate costs	(423)	(685)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	12	19
1.5 Interest and other costs of finance paid	(589)	(1,199)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (JV Partner Contributions)	1,238	8,600
1.9 Net cash from / (used in) operating activities	(14,691)	(16,796)
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 (6 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	4,251
	b) JV Partner Contribution - Bond	(2,549)	(2,549)
2.6	Net cash from / (used in) investing activities	1,702	1,702

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	19,596	21,723
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(14,691)	(16,796)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	1,702	1,702
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	67	45
4.6	Cash and cash equivalents at end of period	6,674	6,674

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	6,674	19,596
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)	6,674	19,596

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	15,526	15,526
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*	(1,895)
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)**	(600)
9.7 Total estimated cash outflows	(3,225)

* 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	Project Icewine leases relinquished totalling ~45,480 acres	~528,000 Gross acres	~482,000 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:  Date: 31 July 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.