



21 July 2020

QUARTERLY REPORT

Report on Activities for the Quarter ended 30 June 2020

The Directors of 88 Energy Limited (“88 Energy” or the “Company”, ASX & AIM:88E) provide the following report for the quarter ended 30 June 2020.

Highlights

Project Icewine

- The Charlie-1 exploration well confirmed a large condensate discovery in the Torok formation, in both the Middle Stellar and Lower Stellar targets;
- Initial petrophysical interpretation indicated hydrocarbon pay in both the Torok and Seabee formations, with additional confirmatory work underway;
- Post well analysis ongoing to confirm the composition and gas to liquid ratio of the Torok discovery, with excellent Vertical Seismic Profile data obtained from the well which will be used in conjunction with other log data and the existing 3D seismic to remap targets, and conduct other post well analysis;
- Detailed logs and sidewall cores were also acquired in the HRZ formation, which will now be analysed over the coming months; and
- The well was plugged and abandoned in April, with the cost of the well within budget.

Off-market Takeover Bid for XCD Energy Limited

- 88 Energy announced its intention to make an off-market takeover offer to acquire all of the fully paid ordinary shares and listed options on issue in XCD Energy Limited on 27 April 2020, with XCD Energy shareholders entering into pre-bid acceptance agreements with 88 Energy in respect of 18.5% of shares on issue and 6.8% of listed options on issue;
- The Board of Directors of XCD Energy on 7 May unanimously recommended that XCD Energy securityholders accept the improved Offers from 88 Energy, in the absence of a superior proposal and subject to the independent expert concluding that the offer is fair and reasonable, or not fair but reasonable. 88 Energy and XCD Energy also announced they had entered into a Bid Implementation Agreement;
- As at the end of the quarter with 88 Energy had a relevant interest in 85.67% of XCD Energy’s shares and 81.35% of XCD Energy’s listed options, with the Offer was extended to July 13th;
- Subsequent to quarter end, 88 Energy announced it will compulsorily acquire the remaining shares and listed options in XCD having reached over 90% of acceptances in the Offers.
- The merger creates an Alaska focused oil explorer with:
 - a diversified portfolio of 3 key project areas; Project Icewine, Yukon Leases and Project Peregrine at various stages of project maturity;
 - Board, management and technical team with a proven capability and track record; and
 - Increased scale, market presence, funding capability and share trading liquidity.

Yukon Acreage

- Discussions continue with nearby resource owners to optimise the monetisation strategy of the acreage, with permitting continuing for future potential exploration drilling – subject to farm-out.

Project Icewine

- **Project Icewine Conventional**

Charlie-1 Exploration Well

88 Energy confirmed that the Charlie-1 appraisal well had proved the presence of mobile hydrocarbons, in the form of condensate gas, in the Torok Formation in both the Middle Stellar and Lower Stellar targets. Hydrocarbons were successfully recovered to surface from both targets using a state-of-the-art downhole sampling tool (Ora). Further post-well analysis is being undertaken to confirm the composition and gas to liquid ratio. Upper Stellar was not tested due to the sub optimal location that it was intersected by the well.

Initial petrophysical interpretation also indicated hydrocarbon pay in the Seabee Formation and additional confirmatory analysis is under way. An attempt was made to take a sample from the Lower Lima target, being the better of the two Lima targets. This attempt was unsuccessful due to insufficient reservoir quality; however, given that these targets were not intersected optimally, there is good potential for higher quality reservoir at a different location. Excellent Vertical Seismic Profile (“VSP”) data was obtained in the well, which is being used in conjunction with other log data and the existing 3D seismic, to remap these targets. Sidewall core analysis will also assist with determining where improved reservoir is likely to exist. Mud gas, observed while drilling, in the Seabee indicated that the hydrocarbons at this horizon are heavier than those in the Torok and this is the horizon where “live oil” was observed across the shakers in the nearby Malguk-1 well.

Sampling was also completed in the Schrader Bluffs Formation from the base of the Indigo target, which was found to be water bearing. The Charlie prospect was found to be poorly developed and was not sampled. Oil shows in this interval are likely to be related to residual oil that is not trapped in the system.

Premier informed the Joint Venture during the quarter that it will withdraw from the project, as the well did not meet their pre-drill expectations.

The cost of the well remains within the expected budget and Premier Oil is continuing to pay costs in relation to the drilling operations and post well testing and site clean up.

The well was plugged and abandoned (“P&A”) in line with standard industry practice in April.

- **Deferral of Project Icewine Lease Rental Payments**

On 4 May 2020, Alaska Department of Natural Resources (“DNR”) extended the time for Accumulate Energy Alaska, Inc to make payments on annual oil and gas lease rentals due to the State of Alaska in 2020. For oil and gas lease rentals due in June, July, and September of 2020, a 6-month extension was given to make rental payments due in these periods. For oil and gas lease rentals due in October and November of 2020, a 3-month extension was given.

- **Project Icewine Unconventional**

Detailed logs and sidewall cores were also acquired in the HRZ formation, which will be analysed over the coming months.

The HRZ remains a viable target and options to commercialise this potentially large resource continue to be pursued.

The Joint Venture plans to conduct a formal farm-out process to fund further appraisal.

Yukon Leases

Discussions continued during the quarter 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.

Permitting continued ahead of a future possible drilling campaign – subject to farm-out.

* Refer announcement 7 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.

Western Blocks

The Western Block leases were relinquished in the quarter by the Joint Venture.

Off-market Takeover Bid for XCD Energy Limited

On 27 April 2020 88 Energy announced its intention to make an off-market takeover offer to acquire all of the fully paid ordinary shares and listed options on issue in XCD Energy Limited, an oil exploration company with operations on the North Slope of Alaska, USA.

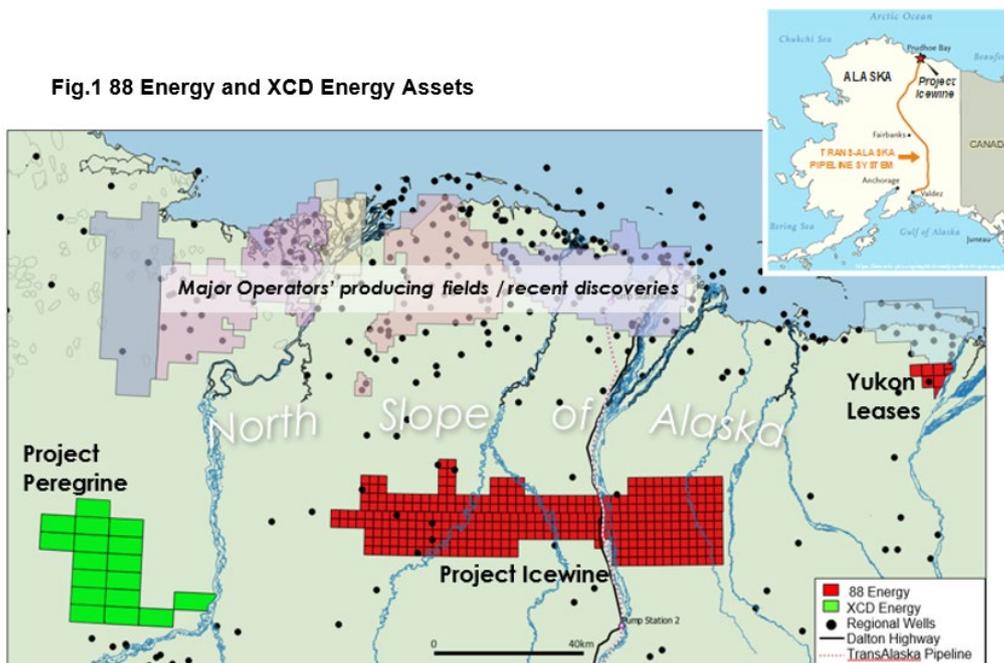
88 Energy had entered into pre-bid acceptance deeds with major XCD Energy shareholders and listed option holders in respect of 18.5% of the XCD Energy shares and 6.8% of the XCD Energy listed options on issue. Pursuant to these deeds, the Shareholders have undertaken to accept the Proposed Offers, in the absence of a superior proposal.

The transaction creates an Alaska-focused oil exploration and appraisal company with a diversified portfolio of three highly prospective project areas: Project Icewine, Yukon Leases and Project Peregrine and provides an attractive investment proposition for existing and new shareholders.

Key benefits of the transaction include:

- the creation of an established oil exploration and appraisal company with an attractive and complementary portfolio of exploration assets - at various stages of project maturity;
- enhanced strategic, commercial, technical and financial strength to optimise funding of operations, including an increased level of liquidity and exposure to a larger global investor base giving greater financing flexibility;
- the ability to optimise operational activity across the combined group's highly prospective exploration / appraisal portfolio with potential synergies associated with future project development and infrastructure requirements; and
- a strong board, management and technical team with a proven track record for advancing projects and delivering on milestones, including two 3D and one 2D seismic survey, drilling of four exploration wells safely and on budget over a 5 year period as well as execution of farm-in/farm-out transactions.

Fig.1 88 Energy and XCD Energy Assets





On 7 May 2020, 88 Energy and XCD Energy Limited announced they had agreed to merge and had entered into a Bid Implementation Agreement, with the Board of Directors of XCD Energy unanimously recommend to XCD Energy shareholders and listed optionholders that they accept the Offers, in the absence of a superior proposal and subject to the independent expert concluding that the offer is fair and reasonable or not fair but reasonable.

The Offers are subject to only a limited number of conditions, including a 90% minimum acceptance condition. The full list of conditions to the Offers are set out in the announcement of 7 May 2020 in Schedule 2 of the BIA provided in Annexure A to the announcement.

Further details regarding the Offers are contained in the Bidder's Statement, which was announced and sent to XCD Energy securityholders on 25 May 2020.

On 18 June 2020, 88 Energy announced that it has declared its recommended off-market takeover offers for all of the ordinary shares and listed options in XCD Energy free from all defeating conditions, having reached a relevant interest in 59.27% of XCD Energy's shares and 28.53% of XCD Energy's listed options on 17 June.

In addition, 88 Energy announced that XCD Energy shareholders and listed option holders who validly accepted the Offers made to them before they were declared unconditional will be issued their consideration by 26 June 2020. Any XCD Energy shareholders and listed option holders who are yet to validly accept the Offers made to them will be issued with their 88 Energy shares and listed options within 7 business days of their acceptance being processed.

88 Energy also noted its Offers of:

- 2.4 new 88 Energy shares for every 1 of your XCD Energy shares; and
- 0.7 new 88 Energy shares for every 1 of your XCD Energy listed options,

are 88 Energy's BEST AND FINAL OFFERS which will not be increased.

Further, 88 Energy stated in its announcement of 18 June that if the Company acquires a relevant interest in XCD Energy of 90% or more, 88 Energy intends to proceed with compulsory acquisition of any outstanding XCD Energy shares and listed options under Part 6A of the Corporations Act. If this occurs, XCD Energy security holders who have their XCD Energy shares and listed options acquired compulsorily will NOT be eligible for accelerated payment terms.

Prior to quarter end, the Offers were extended to 13 July 2020, and as at the end of the quarter with 88 Energy had a relevant interest in 85.67% of XCD Energy's shares and 81.35% of XCD Energy's listed options, with the Offer was extended to July 13th;

Subsequent to quarter end, on 9th July 88 Energy announced it will compulsorily acquire the remaining shares and listed options in XCD having reached over 90% of acceptances in the Offers.



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\$20.1m gross (Mar'20 Quarter A\$15.1m), primarily associated with expenditure on the Charlie-1 appraisal well;
- Cash call proceeds received from Joint Venture partners in the quarter totalled A\$1.7m (Mar'20 Quarter A\$21.9m);
- Payments in relation to the debt facility interest totalled A\$0.6m (US\$0.4m);
- Payments in relation to the XCD takeover totalled \$0.16m; and
- Administration and other operating costs, net of government payments, totalled A\$0.581m (Mar'20 Quarter A\$0.620m).

At the end of the quarter, the Company had cash reserves of A\$6.840m, including cash balances held in Joint Venture bank accounts relating to Joint Venture Partner contributions totalling A\$0.498m.

In light of the current low oil price environment and uncertainties related to the COVID-19 pandemic, the Company has implemented prudent cost cutting measures, including salary reductions in the quarter.

Note, the reported cash flows do not include any amounts in relation to XCD Energy Limited, which at 30 June 2020 88 Energy had a 85.67% relevant interest. For details in relation to XCD Energy's cash flows please refer to their Q2 2020 quarterly cash flow statement and report. As at 30 June 2020 XCD had \$0.434 million in cash.

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	64%	64%
Yukon Gold	Onshore, North Slope Alaska	15,235	100%	100%
Western Blocks	Onshore, North Slope Alaska	-	36%	NIL
XCD Energy*	Onshore, North Slope Alaska (NPR-A)	195,373	NIL	85.67%

* As at 30 June 2020, 88 Energy held a 85.67% relevant interest in XCD Energy Limited, which through XCD's 100% owned subsidiaries has a 100% working interest in 195,373 gross acres in Project Peregrine on the North Slope of Alaska (NPR-A).

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.



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This announcement contains inside information.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

88 Energy Limited

ABN

80 072 964 179

Quarter ended ("current quarter")

30 June 2020

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 (if expensed)	(88)	(88)
(b) development	-	-
(c) production	-	-
(d) staff costs	(336)	(687)
(e) administration and corporate costs	(269)	(538)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	2
1.5 Interest and other costs of finance paid	(582)	(1,188)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	24	24
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,250)	(2,475)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	(216)	(260)
(c) property, plant and equipment	-	-
(d) exploration & evaluation (if capitalised)	(20,095)	(35,207)
(e) investments	-	-
(f) 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) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other – Joint Venture Contributions	1,722	23,666
	- XCD Energy takeover costs	(160)	(160)
2.6	Net cash from / (used in) investing activities	(18,749)	(11,961)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	5,000
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(362)
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)	-	-
3.10	Net cash from / (used in) financing activities	-	4,638

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	28,114	15,903
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,250)	(2,475)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(18,749)	(11,961)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	4,638

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(1,275)	735
4.6	Cash and cash equivalents at end of period*	6,840	6,840

**Note: Cash flows and closing cash balance does not containing any balances associated with XCD Energy Limited bank accounts. At 30 June 2020, 88 Energy had a 85.67% relevant interest in XCD Energy Limited shares.*

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	6,840	28,114
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)	6,840	28,114

6. Payments to related parties of the entity and their associates

- | | Current quarter
\$A'000 |
|---|------------------------------------|
| 6.1 Aggregate amount of payments to related parties and their associates included in item 1 | 12 |
| 6.2 Aggregate amount of payments to related parties and their associates included in item 2 | - |

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

6.1 Payments relate to Director and consulting fees paid to Directors. All transactions involving directors and associates were on normal commercial terms.

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities		Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>			
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>			
7.1	Loan facilities	16,126	16,126
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	16,126	16,126
7.5	Unused financing facilities available at quarter end		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing 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.			

8. Estimated cash available for future operating activities	\$A'000	
8.1	Net cash from / (used in) operating activities (Item 1.9)	(1,250)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(20,095)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(21,345)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	6,840
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	6,840
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	0.3
8.8	If Item 8.7 is less than 2 quarters, please provide answers to the following questions:	
	1.	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?
		Answer: Item 8.2 noted above predominately relates to costs associated with the Charlie-1 well. 88E anticipates incurring net costs in Q3 2020 of A\$0.35m in relation to post well testing and site clean-up. The Joint Venture partners have been cash called for their remaining share of costs associated with the well. Taking into consideration the above, as well as operating costs noted at item 1.9 the estimated quarters of funding available ratio would be greater than 2.
	2.	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
		Answer: No, there is no requirement to raise further cash based on the anticipated future expenditure as noted in 8.8 (1).

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes, refer to response at 8.8 (1).

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.

Date: 21 July 2020

Authorised by: By the board

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.