

QUARTERLY ACTIVITIES REPORT

For the quarter ended 31 December 2021

88 Energy Limited (ASX:88E, AIM:88E, OTC:EEENF) (**88 Energy** or the **Company**) provides the following report for the quarter ended 31 December 2021.

Highlights

Project Peregrine (100% WI)

- Merlin-2 targeting gross mean prospective resource of 652 million barrels¹ with 56% aggregated geological chance of success.
- Drilling location selected is situated east and downdip of Merlin-1, where enhanced reservoir thickness and higher permeability/porosity of sands are expected.
- Rig contract executed for Artic Fox to drill the Merlin-2 appraisal well.
- Merlin-2 Permit to Drill in the final stages of review by the Bureau of Land Management (BLM)
- Snow road construction underway, with commissioning of drill rig commenced in January 2022.
- Spud of Merlin-2 appraisal well on track for February 2022.

Umiat Oil Field (100% WI)

- Optimisation studies continue, including full field development planning and evaluation of oil field synergies with Project Peregrine.

Project Icewine (75% WI)

- Assessment indicates extension of Pantheon Resources' Talitha-A targets onto Icewine acreage.
- Updated prospective resource estimates to be finalized in H1 2022.

Yukon Leases (100% WI)

- Joint regional development negotiations and due diligence processes well advanced with nearby resource owner.
- Future potential exploration drill planning is ongoing – subject to farm-out and joint development negotiations.

Corporate

- Mr Oliver Mortensen appointed Chief Financial Officer.
- Cash of A\$32.3M and no debt (as at 31 December 2021).

1. Mean unrisks prospective resource - Net Entitlement to 88 Energy. Please refer to cautionary statement on page 3

Project Peregrine (100% WI)

Merlin-2 Appraisal Well

The Merlin-2 appraisal well is scheduled for spud in February 2022 and permitted to a total depth of 8,000 feet. Merlin-2 is targeting a net mean aggregate prospective resource of 652^{1,2} million barrels across the N20, N19 and N18 horizons. The Merlin-2 well location has been selected from the three permitted locations and will be located east and downdip of the successful Merlin-1 well. This location is expected to encounter thicker reservoir sections and higher permeability/porosity sands.

Figure 1: Project Peregrine long section showing expected enhanced reservoir thickness to the east

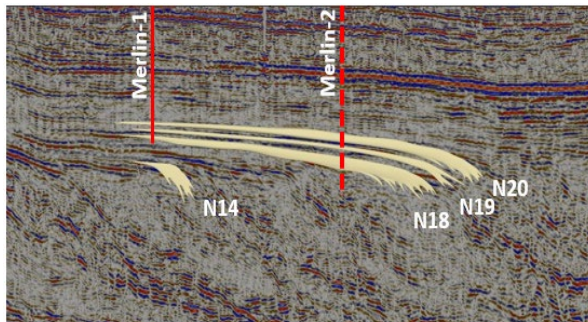
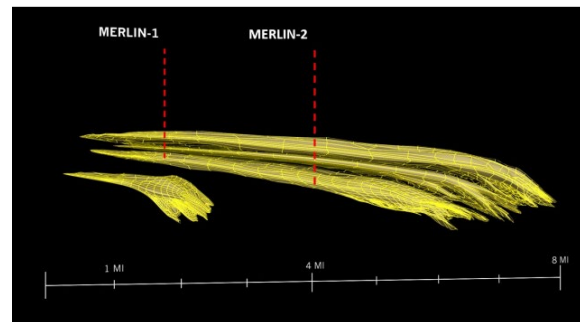


Figure 2: Wireframe image showing Merlin-2 well location, facing east and reservoir sands



On 26 October 2021, 88 Energy announced the execution of a rig contract with Doyon Drilling Inc for the Arctic Fox Rig to drill the Merlin-2 appraisal well. The Arctic Fox rig is a fully integrated, multi-module unit featuring a lightweight design crucial to early drill site access. Importantly, the rig unit allows for maximum over-the-hole drilling and with an eight-line hook-up, the substructure is capable of simultaneous load of 281,000lbs (for pipe set back) and 337,000lbs (rotary table). Commissioning of the rig will occur following inspection in January 2022 for immediate mobilisation to the Merlin-2 drill site. Snow road construction commenced in December 2021 and is progressing well.

A production testing program for the Merlin-2 was designed during the quarter and will be on standby during initial wellsite operations. The production test is contingent upon the wireline program results, government approvals and subject to operational, funding and weather considerations.

As at year end, the Permit to Drill for the Merlin-2 well was in the final stages of review by the BLM and remains pending. Permitting and planning for the Merlin-2 well is largely complete, with the last major permit being the Permit to Drill, with the well on track to spud in February 2022.

1. Mean unrisks prospective resource - Net Entitlement to 88 Energy
2. Please refer to cautionary statement on page 3.

Table 1: Project Peregrine Prospective Resource Estimate (August 2021)

PROSPECTIVE RESOURCE (MMBO, UNRISKED) ¹					
Prospects	Formation	Low	Best	High	Mean
Merlin-2 (N20, N19 & N18)	Nanushuk	64	329	1,467	652
Merlin-1A (N14S)	Nanushuk	25	87	282	132
Harrier	Nanushuk	41	175	796	353
Harrier Deep	Torok / Basin Floor Fan	35	226	1,132	486
TOTAL MEAN PROSPECTIVE OIL RESOURCE					1,624¹

1. Please refer to the ASX release dated 16 August 2021 for full details with respect to the Prospective Resource estimate, associated risking

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.

Umiat Oil Field (100% WI)

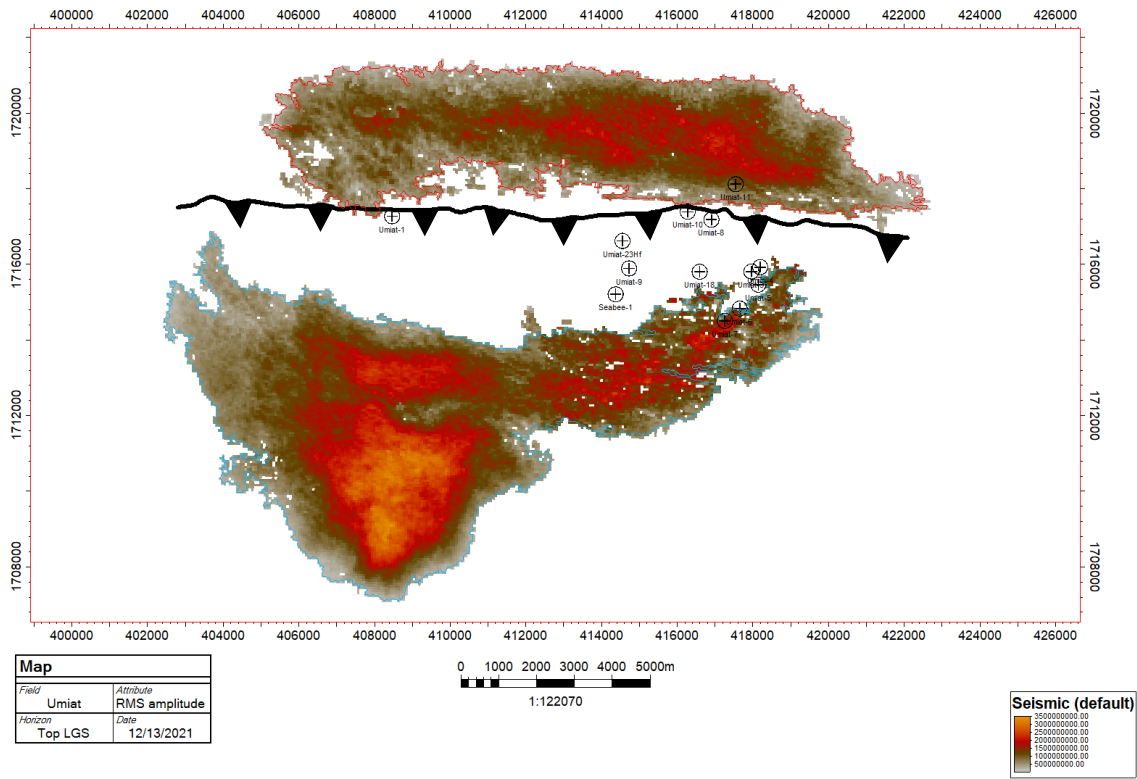
During Q1 2021, 88 Energy acquired the Umiat Oil Field. As part of the acquisition, the Company received the Umiat data pack which includes Umiat 3D seismic data. The Umiat 3D survey abuts the southern edge of the Project Peregrine lease blocks. Integrating the Linc/Malamute seismic interpretation has provided a better understanding of the Peregrine reservoir geometries to the north as well as enriching our petrophysical database with additional well control (Umiat-8 and Umiat-23H).

Internal reinterpretation of modern 3D seismic is suggestive of untested reservoirs at Umiat. Prospects have been mapped in the footwall of the Umiat structure as well as downdip from the proven oil zone in the hanging wall. Initial internal volumetric calculations suggest there may be multi-million barrels of recoverable oil combined in the hanging wall and footwall. Both prospects are deeper than the current reserves at Umiat which should have a positive impact on productivity.

Development studies continued in the quarter focusing on the potential integration of Ultra Low Sulphur Diesel (ULSD) production with previous studies. Initial screening economics suggest that this development option adds further value to a future Umiat development, considering the high cost of diesel (currently ~\$5/gal) on the North Slope of Alaska

A separate Umiat-23H well performance review was also finalised during the quarter. This well was drilled in 2014 by a previous owner and flowed at a sustained rate of 200 BOPD with no water, and a maximum rate of 800 BOPD. The review concluded that this well significantly underperformed due to poor drilling and completion techniques. A more conventional trajectory and completion design for a 5000 ft horizontal section was modelled to produce at stabilised rates of between 800 and 1600 BOPD. Consequently, an opportunity exists for the optimisation of historic subsurface development plans.

Figure 3: Surface attribute map of the Lower Grandstand Unit



Project Icewine (75% WI)

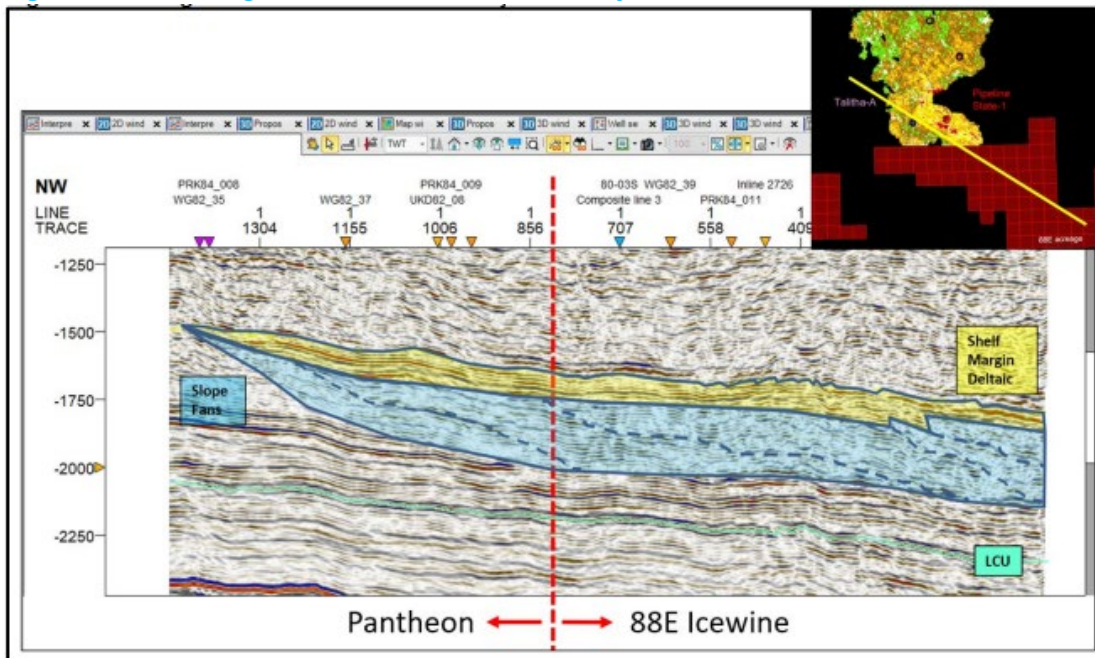
88 Energy was buoyed by the drilling results of the Talitha-A well in Q1 of 2021, where multiple formations reported oil shows in the Talitha-A well by Pantheon Resources (see AIM:PANR release dated 19 April 2021). 88 Energy is closely monitoring activity proximate to the northern border of its Project Icewine acreage planned for Q1 2022.

There has been additional insight into the prospects of the Schrader Bluff, Canning, Seabee and Kuparuk formations, highlighted from the results of the Talitha-A program, which may have positive implications for the same formations in 88 Energy’s Icewine acreage.

All three wells drilled by 88 Energy at Project Icewine have encountered good quality reservoir in the Kuparuk formation, with indications of hydrocarbons. These had previously been interpreted as likely gas condensate or residual oil, and no mapped targets were identified.

The results at Talitha-A are regionally highly encouraging for all target formations, including those interpreted across Project Icewine. Given the results from the Talitha-A well, 88 Energy’s internal geoscience team is reassessing the potential across the acreage with an updated prospective resource estimate planned for 1H 2022.

Figure 4: Shelf Margin Deltatic Extension into Project Icewine



Yukon Leases (100% WI)

The Yukon Leases contain the 82 million barrel¹ Cascade Prospect, which was intersected peripherally by Yukon Gold-1 and classified as a historic oil discovery.

In 2018, 88 Energy acquired 3D seismic over Cascade and, post analysis, high-graded it from a lead to a drillable prospect. The Yukon Leases are located adjacent to ANWR and in proximity to recently commissioned infrastructure at Point Thompson.

Discussions advanced with nearby lease owners during the quarter with respect to a joint development area with negotiation agreements and due diligence underway.

¹ Refer to 88 Energy release dated 7th November 2018. Note cautionary statement on page 3.

Corporate

During the quarter, Mr Oliver Mortensen joined 88 Energy in the role of Chief Financial Officer (CFO).

On 6 December 2021, 88 Energy announced that a key contractor involved in the Merlin-2 operations who provides snow road and drilling management services had agreed to accept payment in new ordinary shares in 88 Energy for payment of up to US\$7,500,000 worth of invoices to be incurred in relation to services associated with the Merlin-2 operations. This demonstrates significant support for the Merlin-2 well proposition and broader Project Peregrine opportunity. In consideration, 88 Energy has agreed to issue the contractor 407,650,000 new ordinary shares ("New Shares") at a price of A\$0.026 per share to the vendor.

The New Shares will be issued as a pre-payment for services and are to be held in escrow and subject to certain restrictions. The New Shares will only be released from escrow following approval by 88 Energy. The vendor has the option to dispose of the New Shares, subject to certain restrictions under the escrow arrangement, however any proceeds will be held in trust until the associated invoices are received and approved by 88 Energy. A reconciliation and final payment of any outstanding invoices (in cash) is to occur following completion of Merlin-2 drilling operations.

Finance

The ASX Appendix 5B attached to this quarterly 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\$3.1M (September 2021 quarter: A\$4.9M), primarily associated with expenditure on Project Peregrine Merlin-2 well including planning, permitting, snow road construction and securing Arctic Fox Rig
- Lease rental payments totalled A\$0.05M.
- Cash call proceeds received from Joint Venture partners totalled A\$0.4M (September 2021 quarter A\$6.7M)
- Administration and other operating costs, totalled A\$0.9M and staff costs totalled A\$0.6M.

Note: Includes fees paid to Directors in the quarter of \$0.4M

At quarter end, the Company had cash reserves of A\$32.3M and no debt.

ESG

88 Energy is committed to building its credentials and making disclosures against the World Economic Forum (WEF) ESG framework. During the quarter, 88 Energy has made the following progress:

- Engagement of Socialsuite technology platform to establish ESG baseline and deliver the Company's inaugural quarterly ESG Dashboard and tailored action plan.
- Providing employment to local Alaskans throughout the Merlin-2 drilling program.
- Participation in the Carbonfree® Business Partnership Program, thus offsetting emissions from the Merlin-1 program and other operating activities. In 2021 the Company reduced 6500 tonnes of CO2 emissions through a donation to Carbonfree® which supports verified projects that promote global warming solutions and help provide cleaner air and energy. The project chosen to offset the CO2 emissions was a U.S. based forestry conservation and carbon sequestration project.

Table 3: Information required by ASX Listing Rule 5.4.3

Project Name	Location	Net Area (acres)	Interest at beginning of Quarter	Interest at end of Quarter
Project Icewine	Onshore, North Slope Alaska	192,830	~75%	~75%
Yukon Leases	Onshore, North Slope Alaska	38,681	100%	100%
Umiat Unit	Onshore, North Slope Alaska (NPR-A)	17,633	100%	100%
Project Peregrine	Onshore, North Slope Alaska (NPR-A)	195,373	100%	100%

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.

This announcement has been authorised by the Board.

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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")

31 December 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(624)	(1,900)
(e) administration and corporate costs	(854)	(2,695)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	(1,053)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (XCD - redundancy payments)	-	-
1.9 Net cash from / (used in) operating activities	(1,478)	(5,648)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	(47)	(6,749)
(c) property, plant and equipment	-	-
(d) exploration & evaluation	(3,115)	(35,042)
(e) investments	-	-
(f) other non-current assets	-	-

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 (12 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	412	20,816
	- Proceeds from sale tax credits	-	3,324
	- Bonds	275	(113)
2.6	Net cash from / (used in) investing activities	(2,475)	(17,764)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	42,521
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	-	(2,523)
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	-	39,998
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	36,083	14,847
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,478)	(5,648)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,475)	(17,764)

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 (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	39,998
4.5	Effect of movement in exchange rates on cash held	187	884
4.6	Cash and cash equivalents at end of period	32,317	32,317

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	32,317	36,083
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)	32,317	36,083

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	416
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

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	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
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.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,478)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(3,115)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(4,593)
8.4 Cash and cash equivalents at quarter end (item 4.6)	32,317
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	32,317
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	7.0
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 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: n/a	
8.8.2 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: n/a	
8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: n/a	
<i>Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.</i>	

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: 18 January 2022

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.