

This announcement contains inside information

88 Energy Limited Projects Update: Icewine East & Longhorn

Highlights

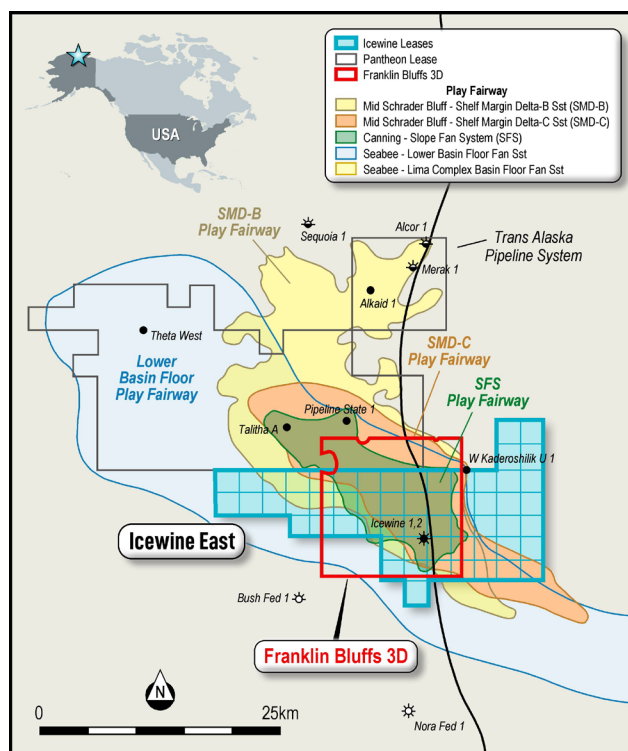
- Licensing agreement signed with SAExploration, Inc. (**SAE**) for use of SAE's Franklin Bluffs 3D seismic survey data (**FB3D**), covering a significant area over the Project Icewine East leases.
- Critically, the FB3D covers an area over the SMD, SFS and BFF reservoir units, which are interpreted to extend from Pantheon Resources' (**Pantheon**) acreage onto Icewine East.
- Pantheon wells – Alkaid-1, Talitha-A and Theta West-1 – have flowed 35° to 40° API oil from multiple Brookian reservoirs (see Pantheon releases of 7 and 21 February 2022), with independent third-party mapping indicating all of Pantheon's play fairways extend onto Project Icewine East.
- Upfront license fee includes, as part of the initial payment, US\$1.0M in new 88E shares.
- 88E to conduct a full interpretation of the FB3D data, including AVO analysis, to define 'sweet spots' for each play and determine optimal future exploration and appraisal drilling locations.
- Drilling of a new exploration well currently being planned to spud in 2023.
- Project Longhorn production has increased over 70% since acquisition, with plans to accelerate the capital development work program and increase production further given elevated oil prices.

88 Energy Limited (ASX:88E, AIM:88E, OTC:EEENF) (**88 Energy** or the **Company**) is pleased to report that it has signed a licensing agreement with SAE for the use of SAE's FB3D seismic data.

The FB3D seismic data was acquired in 2015 by SAE and covers approximately 86 square miles, predominantly over the Icewine East acreage. More importantly, the FB3D extends across an area where the Shelf Margin Delta (**SMD**), Slope Fan Set (**SFS**) and Basin Floor Fan (**BFF**) play fairways have been independently mapped (by Jordan & Pay) on the Icewine East acreage.

The FB3D data will assist the Company through subsequent analysis and review, including Amplitude-variation-with-offset analysis (**AVO analysis**) and simultaneous seismic inversion, in defining 'sweet spots' for each play and hence determine optimal drilling locations for future exploration and appraisal wells. In addition, the FB3D will provide key data for potential farm-out partners to assess as part of their due diligence program.

Figure 1: The FB3D seismic data covers an area over the third-party mapped SMD, SFS and BFF play fairways, which 88E believes is an extension of all PANR prospect play fairways onto Project Icewine East.



Project Icewine East

The FB3D seismic data is to be used to further mature the conventional prospectivity of the Project Icewine East acreage, where it is anticipated that it can confirm the prospectivity already identified and mapped on 2D seismic data. Importantly, future drilling locations in the Icewine East acreage will be supported by AVO analysis, which is often used as a qualitative exploration tool. AVO responses can be associated with the presence of hydrocarbons in good quality reservoirs; an association which becomes more reliable when calibrated to actual fluid content (hydrocarbons) and log data from nearby wells. It is also worth noting the success that Pantheon has had in utilising its 3D data to locate Alaskan exploration and appraisal wells. 88 Energy is targeting a similar or better outcome from its use of the FB3D data.

88 Energy's initial license fee includes US\$1.0 million in fully paid new ordinary shares in 88 Energy (approximately 181 million shares at an issue price of A\$0.008 per share, being the closing price of 88 Energy shares on the ASX on 24 June 2022).

88 Energy is currently in the process of planning its operations in 2023 which is expected to include an exploration well to be drilled in the Icewine East acreage, and at least one flow test from multiple Brookian reservoirs that have been mapped on the Icewine East acreage. These are the same reservoirs that nearby Pantheon wells – Alkaid-1, Talitha-A and Theta West-1 have flowed 35° to 40° API oil.

In addition, the Company is continuing with its planned farm-out of the Icewine East acreage. The Company is hopeful of achieving a positive outcome from the farm-out process given the extensive dataset and track record that significantly de-risks the Icewine East acreage, including:

- High quality 2D and 3D seismic datasets, as well as Icewine-1 and Icewine-2 well data;
- Soon-to-be-completed new independent prospective resource report, which is anticipated to demonstrate significant resource volumes that can support a material development;
- Nearby Brookian wells, Alkaid-1, Talitha-A and Theta West-1, having flowed 35° to 40° API oil, with all reservoir units independently mapped onto the Icewine East acreage;
- Icewine East acreage being strategically located on the Dalton Highway, with the TAPS pipeline running through the acreage providing excellent access to infrastructure and services;
- 88 Energy's excellent track record on delivering exploration wells on the North Slope, and its clear understanding of requirements to drill in Alaska;
- Recent high oil prices renewing investment interest in the sector; and
- Strong investor support for Pantheon (AIM: PANR, ~GBP 690M / ~AUD 1.2Bn market capitalisation as at 23 June 2022) in the adjacent acreage, which presents potential material upside for both 88 Energy and also any potential farm-out partners.

The Company anticipates that the farm-out process will continue over the coming months which will include additional due diligence on recent data, followed by detailed negotiations with new potential partners. Execution and completion of a potential transaction is not guaranteed and remains subject to all final documentation being agreed and due diligence completed. There is no guarantee that any negotiations will lead to a binding agreement or a completed transaction, and the Company may elect to cease farm-out discussions ahead of any decision to drill a future exploration well in the Icewine East acreage.

Project Longhorn

88 Energy is pleased to provide a further update on operations at its recently acquired Project Longhorn conventional oil and gas production assets in the proven Permian Basin, onshore Texas, U.S. 88 Energy has a circa 73% average net working interest in these established production assets.

In the period from March to May 2022, the operator of the Longhorn production assets successfully completed the first three of seven planned capital-efficient work-overs scheduled after the completion of the Longhorn acquisition. These work-overs were completed on time and on budget and have delivered an significant increase to the total oil and gas production rates of Project Longhorn.

Production from the Longhorn wells exceeded 650 BOE per day gross (over ~475 BOE per day net, approximately 70% oil) following completion of the third work-over at the end of May, at initial production rates. Daily production rates are anticipated to settle at around ~500 BOE per day gross (over ~365 BOE per day net, of which approximately 70% is oil) in July, which represents an overall output increase of ~70% since the completion of the acquisition in mid-February 2022.

The production increase provides additional direct exposure to the higher WTI oil and gas price environment and accelerates payback on both the acquisition of the assets and the capital investment in the work-overs.

Given the success of the initial three work-overs, as well as the continued high oil and gas price environment, the joint venture participants have agreed to accelerate the capital development program and the completion of the remaining four planned work-overs. As part of this agreement, 88 Energy has agreed to part fund its share of the anticipated US\$3.5 million (net) in development capital through the issuance of US\$3.0 million in 88 Energy shares (approximately 544 million shares at an issue price of A\$0.008 per share, being the closing price of 88 Energy shares on the ASX on 24 June 2022) to Lonestar I, LLC (**Lonestar**), to fund Longhorn's working capital contributions towards the remaining CY2022 capital development program (**Capital Development Shares**).

Project Longhorn is now scheduled to complete the targeted seven capital development activities earlier than planned in Q4 2022.

Issuance of New Shares

As a result of the arrangements outlined above, 88 Energy will issue a total of 725,000,000 new ordinary shares, of which 181,250,000 will be issued to SAE in respect of part payment of the FB3D (**FB3D Shares**) and 543,750,000 new ordinary shares to Lonestar (**Capital Development Shares**).

The FB3D Shares and the Capital Development Shares will be issued at a price of A\$0.008 per share (equivalent to approximately 0.45 pence), being the closing price of 88 Energy shares on ASX on 24 June 2022. The FB3D Shares will be held in escrow until the FB3D dataset has been received. The Capital Development Shares will also be held in escrow and subject to certain restrictions and will only be released from escrow following approval by 88 Energy.

Following the issue of the FB3D Shares and the Capital Development Shares (together, the **New Shares**), which rank pari passu to the existing ordinary shares in the Company, the Company has a total of 16,610,207,406 ordinary shares in issue, all of which have voting rights. The figure of 16,610,207,406 ordinary shares may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or change their interest in, the Company.

Application has been made for admission of the New Shares to trading on AIM, which is expected to occur on or around 30 June 2022.

Both Lonestar and SAE have the option to dispose of New Shares received, subject to certain restrictions under the agreements. Any proceeds from the disposal of the 88E shares received by Lonestar are to be held on trust for 88 Energy until the associated invoices are received and approved by 88 Energy for the capital development program. A reconciliation process and payment of any outstanding amounts due (in cash) will occur prior to year-end 2022.

This announcement has been authorised by the Board.

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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 resource and reserve 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.