



10 October 2017

QUARTERLY REPORT

Report on Activities for the Quarter ended 30 September 2017

The Directors of 88 Energy Limited ("88 Energy" or the "Company", ASX & AIM:88E) provide the following report for the quarter ended 30 September 2017.

Highlights

- **Icewine#2 Production Test operations continued in the quarter, with the following key project milestones;**
 - The well was shut in on 10th July 2017 (AK time) for a period of 7 weeks to allow for pressure build up and imbibition to occur. Prior to shut in, 16% of the stimulation fluid had been recovered from the reservoir under natural flowback;
 - Flow testing recommenced on 31st August 2017 (AK time);
 - Average flow during the test period was 1.85mcf/d with an increasing ratio of heavy components measured in the gas;
 - The cumulative amount of stimulation fluid produced from both testing periods was 5,533 barrels, 19.9% of fluids injected, prior to the winter shut in on 18th September 2017 (AK time);
 - Since shut in there has been significant pressure build up which is consistent with interpreted overpressure in the HRZ.
- **Project Icewine Joint Venture acquired and paid for an additional 76,996 gross acres (48,864 net to 88E);**
 - A decision was made to accept 76,996 out of the 109,817 gross acres awarded from the December 2016 Bid Round, based on the where the coincidence of prospectivity was the greatest for both the conventional and unconventional opportunities.

Icewine#2 Operations

On 10th July 2017 the Icewine#2 well was shut in for a period of 7 weeks, to allow for pressure build up and imbibition (or soaking) to occur. Imbibition has proven effective in other plays by allowing frac fluid to be absorbed and displacing in-situ water that may be blocking hydrocarbon molecules from being able to flow through the reservoir.

Prior to the initial shut in on 10th July 2017, 16% of the stimulation fluid had been recovered from the reservoir under natural flowback, with the fluid composition comprising 100% water.

Flow testing of Icewine#2 recommenced on 31st August, with the well initially flowed back on a 6/64 inch choke which was subsequently reduced to 4/64 inch choke to maintain pressure. Approximately 370 barrels of frac fluid had been recovered as at 17:30 on 3rd September at an average rate of 100 barrels/day. The choke was subsequently stepped up to 8/64 inch on 10 September.

Flow back fluid was run through the test separator due to minor gas indications being evident. The rate of flow achieved was unstabilised ranging from 2 to 4mcf of gas/ day, made up of 76% hydrocarbons, 20% atmospheric gases and 4% inorganics. The produced hydrocarbons comprised 93% methane with 7% heavier fractions. The choke was increased to lower the bottom hole pressure below reservoir pressure to increase drawdown on the formation. The well head pressure fell below that required to support flow and Icewine#2 stopped flowing naturally. The well was shut in on 18 September 2017 for a planned extended period over winter.

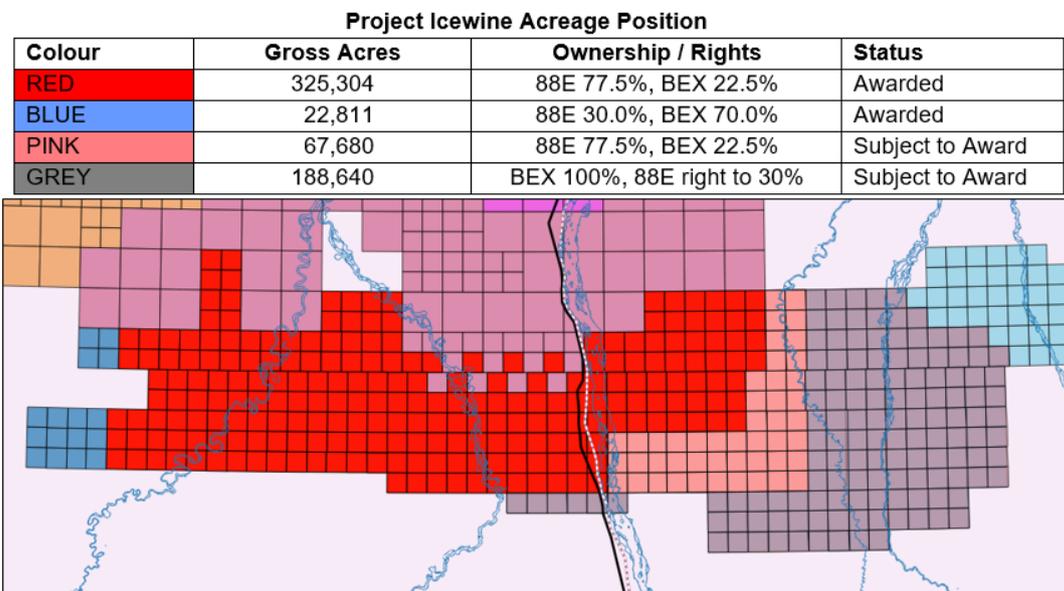
Average flow during the test period was 1.85mcf/d with an increasing ratio of heavy components measured in the gas. A total of 5,533 barrels, 19.9%, of injected stimulation fluids were recovered during the overall testing period prior to shut-in. Results are not considered representative of potential flow rate nor hydrocarbon composition at Icewine#2 due to low recovery of stimulation fluids to date. To achieve connectivity to the reservoir a minimum of 30% recovery of stimulation fluids injected is anticipated to attain representative flowback from the reservoir.

During the winter shut-in period, further evaluation and analysis will be conducted to determine the impact, if any, of the productivity performance of the Icewine#2 well on the probability of success of the HRZ play at the Franklin Bluffs location and over the wider acreage position. Flow testing of the HRZ at Icewine#2 will recommence in April/ May 2018 via an optimised completion and artificial lift.

Lease Position Expanded

The Project Icewine Joint Venture was awarded 109,817 gross acres on the 7th July as part of a broader package of successful bids submitted in the December 2016 North Slope lease sale. Of these 109,817 gross acres, 76,996 gross acres (48,864 net to 88E) were taken up and paid for. Given the ongoing testing and analysis of Icewine#2, a decision was made to accept award on acreage where the coincidence of prospectivity for both the conventional and unconventional was greatest.

The current lease position for the Joint Venture as at 31 September 2017 is summarised below;



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 of A\$9.1m primarily relating to Icewine#2 operations and lease rental payments to the State of Alaska;
- Payments to the Bank of America in relation to the debt facility interest totalled A\$0.3m (US\$0.25m);
- Administration and other operating costs A\$1.0m (June'17 Quarter A\$1.0m); and
- Payments for the acquisition of further acreage totalled A\$2.1m.

At the end of the quarter, the Company had cash reserves of A\$19.2m, including cash balances held in Joint Venture bank accounts.



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, Mr Brent Villemarette, who is a Non Executive Director of the Company. Mr Villemarette has more than 35 years' experience in the petroleum industry, is a member of the Society of Petroleum Engineers, and a qualified Reservoir Engineer 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. Mr Villemarette 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.



About 88 Energy: 88 Energy has a working interest and operatorship in 259,114 net acres onshore the prolific North Slope of Alaska (“Project Icewine”). Gross contiguous acreage position will further expand on award of additional remaining leases successfully bid on in the December 2016 State of Alaska North Slope Licensing Round. The North Slope is the host to the 15 billion barrel Prudhoe Bay oilfield complex, the largest conventional oil pool in North America. The Company, with its Joint Venture partner Burgundy Xploration, has identified highly prospective play types that are likely to exist on the Project Icewine acreage – two conventional and one unconventional. The large unconventional resource potential of Project Icewine was independently verified by leading international petroleum resource consultant DeGolyer and MacNaughton. In addition to the interpreted high prospectivity, the project is strategically located on a year-round operational access road and only 35 miles south of Pump Station 1 where Prudhoe Bay feeds into the Trans Alaska Pipeline System. The Company acquired 2D seismic in early 2016 to take advantage of the globally unique fiscal system in Alaska, which allowed for up to 75% of 1H2016 exploration expenditure to be rebated in cash. Results from the seismic mapping and prospectivity review are encouraging, and form the basis of a conventional prospectivity portfolio for Project Icewine. In late 2015, the Company completed its maiden well at the project, Icewine#1, to evaluate an unconventional source rock reservoir play which yielded excellent results from analysis of core obtained from the HRZ shale. The follow-up well with a multi-stage stimulation and test of the HRZ shale, Icewine#2, was spudded in 2Q 2017. Operations are currently suspended for winter, with further flow testing scheduled for April / May 2018 with an optimised completion and artificial lift.

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 September 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	102
1.2 Payments for		
(a) exploration & evaluation	(9,121)	(24,126)
(b) development	-	-
(c) production	-	-
(d) staff costs	(395)	(1,130)
(e) administration and corporate costs	(556)	(1,763)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	7	12
1.5 Interest and other costs of finance paid	(315)	(315)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (JV Partner Contributions – Burgundy Xploration)	832	7,458
1.9 Net cash from / (used in) operating activities	(9,548)	(19,762)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	(2,092)	(2,092)
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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 (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(2,092)	(2,092)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	17,091
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	(2)	543
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(1,250)
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)	-	(665)
3.10	Net cash from / (used in) financing activities	(2)	15,719

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	31,554	27,303
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(9,548)	(19,762)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,092)	(2,092)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(2)	15,719
4.5	Effect of movement in exchange rates on cash held	(698)	(1,954)
4.6	Cash and cash equivalents at end of period	19,214	19,214

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	19,214	31,554
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)	19,214	31,554

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	182
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 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	30
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 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	17,710	17,710
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 20 August 2015, 88 Energy entered into a credit agreement with the Bank of America. The facility is secured by available Production Tax Credits.
- The amount drawn under the facility will reduce by US\$1.19 million to US\$16.5 million, as a result of the State of Alaska making payment for the noted amount anticipated in Q4 2017.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation*	(900)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(370)
9.5 Administration and corporate costs	(450)
9.6 Other (provide details if material)	(500)
9.7 Total estimated cash outflows	(2,220)

* Includes amounts relating to lease rentals, lease acquisition, seismic interpretation, G&A, G&G, expenditure on Icewine#2 operations including potential refund to JV partners for activities achieved under budget.

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	North Slope Alaska	Joint Venture – 88 Energy Net acreage interest*	210,250	259,114

* Refer to announcement dated 17 August 2017 for further information.

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.



10 October 2017

Sign here:
(Company Secretary)

Date:

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.