



9 April 2020

## **QUARTERLY REPORT**

### **Report on Activities for the Quarter ended 31 March 2020**

The Directors of 88 Energy Limited (“88 Energy” or the “Company”, ASX & AIM:88E) provide the following report for the quarter ended 31 March 2020.

### **Highlights**

#### **Project Icewine**

- The Permit to Drill for the Charlie-1 exploration well was approved by the Alaska Oil and Gas Conservation Commission (AOGCC) on the 11 February 2020;
- The Charlie-1 exploration well spudded on 2 March 2020, with the well intersecting all the of the pre-drill targets safely and efficiently;
- Total Depth of 11,112’ was reached on the 30 March 2020, having drilled through and logged all of the targets in the well, including the HRZ;
- Results from the Logging While Drilling (LWD) program were largely consistent with those seen in the nearby Malguk-1 well, with shows and elevated log response recorded over several horizons; and
- The wireline logging program commenced shortly after reaching Total Depth, with the Company announcing subsequent to quarter end a confirmed condensate discovery in the Torok Formation.

#### **Yukon Acreage**

- Discussions continue with nearby resource owners to optimise the monetisation strategy of the acreage; and
- Permitting underway ahead of potential drilling in 2021 – subject to farm-out.

#### **Western Blocks**

- Assessment of strategy for future of leases underway.

#### **Corporate**

- Successful completion of a capital raise of A\$5 million (before costs).



## **Project Icewine**

- **Project Icewine Conventional**

### **Charlie-1 Exploration Well**

The Permit to Drill which was submitted prior to the end of 2019, as planned, was approved by the Alaska Oil and Gas Conservation Commission (AOGCC) on the 11 February 2020.

Construction of the ice road which commenced in late December 2019 was fully completed together with the ice pad at the Charlie-1 drilling location, by mid-February 2020. Mobilisation of the Nordic Rig#3 to site began shortly after completion of the ice road and the Charlie-1 well was spudded on 2 March 2020.

The Charlie-1 well reached its Total Depth of 11,112' (TVD) on 30th March 2020, having drilled through and logged all of the targets in the well, including the HRZ. Results from the Logging While Drilling program are largely consistent with those seen in the nearby Malguk-1 well, drilled by BP in 1991, with shows and elevated log response recorded over several horizons. The significance of the similarities, and differences, to Malguk-1 will not be known until after the more detailed wireline logging program has been executed and analysis completed.

The wireline logging program commenced shortly after Total Depth was reached, and concluded on 6 April 2020.

Subsequent to quarter end the Company announced on 7 April 2020 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 analysis to confirm the composition and gas to liquid ratio will now be undertaken. Upper Stellar was not tested due to the sub optimal location that it was intersected by the well.

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

In the Seabee Formation, 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 still may be potential for higher quality reservoir at a different location. Excellent Vertical Seismic Profile ("VSP") data was obtained in the well, which will now be 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.

Premier Oil has informed the Joint Venture that it intends to withdraw from the project, as the well did not meet its pre-drill expectations. On withdrawal the Company's working interest will increase to 75% in Area A including the confirmed condensate discovery in the Torok Formation.



The cost of the well remains within the expected budget and 88E does not expect to incur any costs in relation to the drilling, with Premier Oil having been cash called and already paid into the Joint Venture bank account US\$23 million in relation to the drilling costs of the Charlie-1 well.

The well will now be plugged and abandoned ("P&A") in line with standard industry practice.

The announcement released by the Company on 7 April 2020 provides further details of the results from the Charlie-1 well.

- **Project Icewine Unconventional**

Detailed logs and sidewall cores were also acquired in the HRZ formation during drilling of the Charlie-1 well, which will now 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 underway ahead of possible drilling in 2021 – 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**

Assessment of strategy for future of leases continued during the quarter, ahead of lease expiry in May 2021.

### **Placement to Raise A\$5 million**

On the 24 January 2020, the Company announced that it had successfully completed a capital raise of A\$5 million (before costs), with the placement made to domestic and international institutional and sophisticated investors through the issue of 238 million ordinary shares at A\$0.021 (equivalent to £0.011) per New Ordinary Share.



## 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:

- Proceeds from capital raise before costs of A\$5.0m;
- Exploration and evaluation expenditure totalled A\$15.1m gross (Dec'19 Quarter A\$4.0m);, primarily associated with expenditure on the Charlie-1 appraisal well;
- Cash call proceeds received from Joint Venture partners in the quarter totalled A\$21.9m (Dec'19 Quarter A\$12.4m);
- Payments in relation to the debt facility interest totalled A\$0.6m (US\$0.4m); and
- Administration and other operating costs A\$0.6m (Dec'19 Quarter A\$0.9m).

At the end of the quarter, the Company had cash reserves of A\$28.1m, including cash balances held in Joint Venture bank accounts relating to Joint Venture Partner contributions totalling A\$19.4m.

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.

### 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	22,711	36%	36%

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](mailto: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 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 March 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date ( 3 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation (if expensed)	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(351)	(351)
(e) administration and corporate costs	(269)	(269)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(606)	(606)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,225)</b>	<b>(1,225)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	(44)	(44)
(c) property, plant and equipment	-	-
(d) exploration & evaluation (if capitalised)	(15,113)	(15,113)
(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 ( 3 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	21,944	21,944
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>6,787</b>	<b>6,787</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	5,000	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)	(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)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>4,638</b>	<b>4,638</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	15,903	15,903
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,225)	(1,225)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	6,787	6,787
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,638	4,638

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date ( 3 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	2,011	2,011
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>28,114</b>	<b>28,114</b>

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	28,114	15,903
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>28,114</b>	<b>15,903</b>

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

- |     |   | <b>Current quarter<br/>\$A'000</b> |
|-----|---|------------------------------------|
| 6.1 | Aggregate amount of payments to related parties and their associates included in item 1 | 16                                 |
| 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

<b>7. Financing facilities</b>		<b>Total facility amount at quarter end \$US'000</b>	<b>Amount drawn at quarter end \$US'000</b>
<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	16,005	16,005
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	16,005	16,005
7.5	<b>Unused financing facilities available at quarter end</b>		-
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.			

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>	
8.1	Net cash from / (used in) operating activities (Item 1.9)	(1,225)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(15,113)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(16,338)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	28,114
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	28,114
8.7	<b>Estimated quarters of funding available (Item 8.6 divided by Item 8.3)</b>	1.7
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: 8.2 relates to costs associated with the Charlie-1 well, which are fully covered by funds received from the farm-out to Premier Oil and 88E does not expect to incur any costs in relation to this item.	
	Net of JV cash, 88E has A\$8.9m in cash and has expected total outgoings for the remainder of the year of A\$7.0m (including both operating and investing cashflows), which are more than covered by the current net cash position.	
	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: 9 April 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.