



27 January 2016

QUARTERLY REPORT
Report on Activities for the Quarter ended 31 December 2015

The Directors of 88 Energy Limited ("88 Energy" or the "Company", ASX & AIM:88E) provide the following report for the quarter ended 31 December 2015.

Highlights

- The Icewine#1 exploration well reached planned Total Depth of 11,600' on 29th December having achieved all primary unconventional objectives
 - Early analysis suggests that a large portion of the HRZ shale on Project Icewine is within the thermal maturity sweetspot
 - Two cores cut in HRZ and Pebble Shale Unit with recoveries of 97%
- Conventional prospectivity high graded by results from Logging While Drilling data
 - Excellent reservoir and oil shows in shallow (4,000'-4,400') Brookian interval
 - Above expectation reservoir quality in deeper (11,262'-11,320') Kuparuk interval
- Placement of A\$3m at \$0.01 per share to sophisticated investors on 20th November 2015
- Completion of Share Purchase Plan to raise A\$4.4m at \$0.01 per share on 18th December 2015

Key Events Subsequent to the Quarter

- Commencement of evaluation of cores taken from the Icewine#1 well
- Oil / condensate observed leaching from HRZ core in the laboratory
- Mass spectrometry analysis of mud gas confirms liquids rich gas throughout the HRZ shale interval
- HRZ core samples analysed for Total Organic Carbon (TOC) all yielded values in the range of 2.3% to 4.9% (avg 3.5% - by weight)
- Initial results support HRZ thermal maturity as per pre-drill modelling at Icewine #1

Upcoming Events

Evaluation and integration of the core and log data from Icewine#1 is ongoing, with results expected on key variables over the coming weeks, including:

- Permeability and porosity
- Final thermal maturity
- Rock mechanics and stress regime

Seismic planning and survey design continues with acquisition planned to commence in March 2016, subject to final negotiations with vendors and approval of the proposed program by Bank of America.



The ASX Appendix 5B attached to this report contains the Company's cash flow statement for the quarter. The significant elements for the period were:

- exploration and evaluation expenditure of A\$15.811m, related to drilling costs for the Icewine#1 exploration well (September 2015 A\$1.303m):
 - Borrowings of A\$10.840 (Bank of America Credit Facility) were used to fund the majority of the exploration expenditure such that the net cash outflow to the Company was A\$4.930m
 - These borrowings are secured against State of Alaska credit rebates and are expected to be fully repaid this calendar year with a small refund net to the Company, once the credits are issued;
- administration and other operating costs A\$0.842m (September 2015 of A\$0.765m);
- cash raised via equity issue A\$7.022 (after costs);
- a net cash inflow of A\$0.548m recorded by the Company.

At the end of the quarter, the Company had net cash reserves of A\$9.567 million.

Currencies held: A\$2.8m; GBP£1.1m; US\$3.3m.

Project Icewine Highlights

In November 2014, the Company entered into a binding agreement with Burgundy Xploration (**BEX**) to acquire a significant working interest (87.5%, reducing to 78% on spud of the first well on the project) in a large acreage position on a multiple objective, liquids rich exploration opportunity onshore Alaska, North America, referred to as Project Icewine. In November 2015, the gross acreage position was expanded by 174,240 acres (to be awarded in due process by the State of Alaska).

Subject to final payment on the expanded acreage, 88 Energy will have a 272,422 gross contiguous acre position with 212,489 acres net to the Company. The Project is located on an all year operational access road with both conventional and unconventional oil potential. The primary term for the State leases is 10 years with no mandatory relinquishment and a low 16.5% royalty.

The unconventional oil play will be evaluated based on core obtained in the recently completed (December 2015) Icewine #1 exploration well.

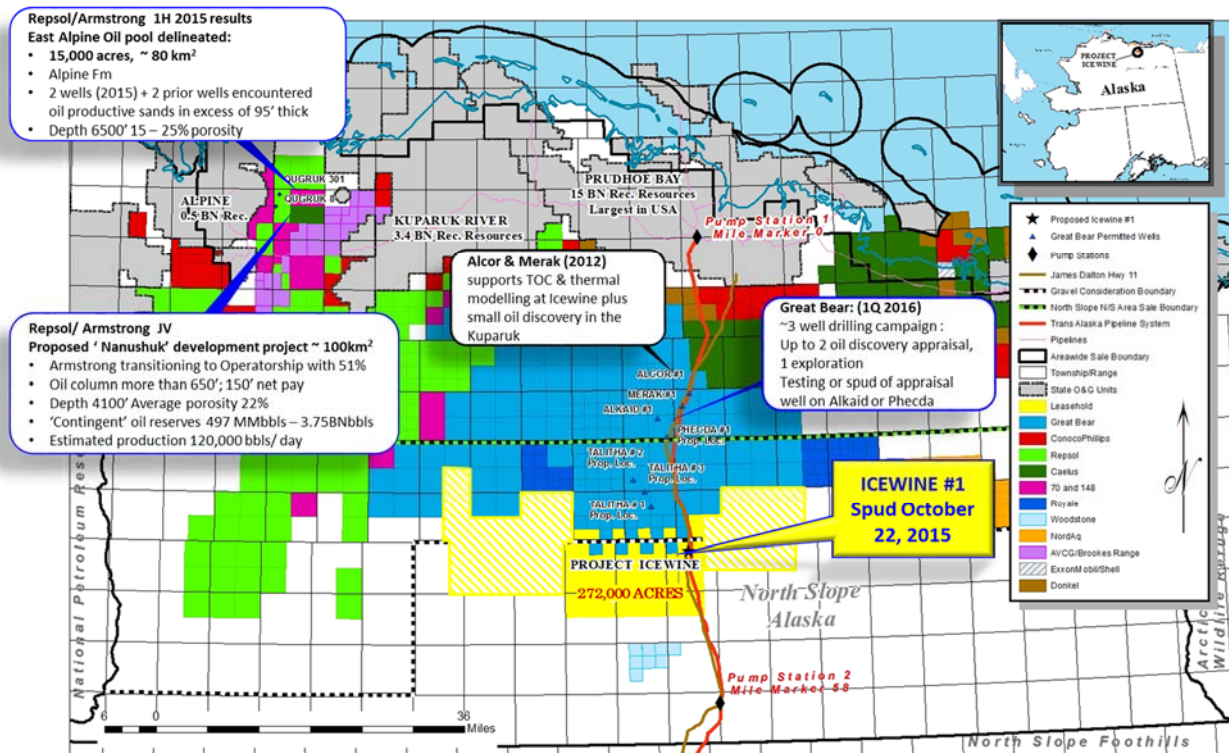


Figure 1: Project Icewine Location

Generous exploration incentives are provided by the State of Alaska with up to 85% of exploration expenditure in 2015 cash refundable, dropping to 75% until mid 2016 and thereafter 35%.

The primary objective is an untested, unconventional liquids-rich shale play in a prolific source rock, the HRZ shale (Brookian Sequence), that co-sourced the largest oil field in North America; the giant Prudhoe Bay Oil Field Complex. Internal modelling and analysis indicates that Project Icewine is located in a high liquids vapour phase sweetspot analogous to those encountered in other Tier 1 shale plays e.g. the Eagle Ford, Texas.



Conventional play potential can be found at Project Icewine within the same Brookian petroleum system and shallow to the HRZ shale and includes high porosity channel and deep water turbiditic sands. The Brookian conventional play is proven on the North Slope; the USGS (2013) estimate the remaining oil potential to be 2.1 billion barrels just within the Brookian sequence. Additional conventional potential exists in the deeper Kuparuk sands and the Ivashuk Formation.

Drilling in (2012), on the adjacent acreage to the north, confirmed that the HRZ shales, along with the underlying Kingak & Shublik shales, were all within the oil window which is extremely encouraging for the unconventional potential at Project Icewine. In addition, a conventional oil discovery was reported in the Kuparuk sandstones.

A Prospective Resources Report by DeGolyer and MacNaughton, was commissioned by 88 Energy to evaluate the unconventional resource potential of Project Icewine in early December 2014 and was released to the market on 19 January 2015.

About 88 Energy: 88 Energy has a 78% working interest and operatorship in ~272,000 acres (~174,000 acres subject to formal award) onshore the prolific North Slope of Alaska ("Project Icewine"). The North Slope is the host for 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 three highly prospective play types that are likely to exist on the Project Icewine acreage – two conventional and one unconventional. The large 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 TransAlaska Pipeline System. The Company plans to progress drilling and seismic acquisition in the near term to take advantage of the globally unique fiscal system in Alaska, which allows for up to 85% of CY2015 exploration expenditure to be rebated in cash.

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Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

88 ENERGY LIMITED

ABN

80 072 964 179

Quarter ended ("current quarter")

31 December 2015

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from rent	84	97
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(15,811) - - (842)	(22,068) - - (2,662)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	25	36
1.5 Interest and other costs of finance paid	-	(700)
1.6 Income taxes paid	-	-
1.7 Other – payment of guarantee and bond	-	(286)
Net Operating Cash Flows	(16,544)	(25,583)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) land & acreage (b) equity investments (c) other fixed assets	(770) - -	(770) - -
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	- - -	- - -
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other	-	-
Net investing cash flows	(770)	(770)
1.13 Total operating and investing cash flows (carried forward)	(17,314)	(26,353)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(17,314)	(26,353)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	7,347	26,260
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	10,840	10,840
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Repayment of Lease Liabilities	-	-
1.20	Other – capital raising costs	(325)	(1,851)
	Net financing cash flows	17,862	35,249
	Net increase (decrease) in cash held	548	8,896
1.20	Cash at beginning of quarter/year to date	9,322	799
1.21	Exchange rate adjustments to item 1.20	(303)	(128)
1.22	Cash at end of quarter	9,567	9,567

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	157
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

All transactions involving Directors and associates were on normal commercial terms.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$US'000	Amount used \$US'000
3.1 Loan facilities – Bank of America debt funding facility (US\$50 million)	42,098	7,902
3.2 Credit standby arrangements	Nil	Nil

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	(2,500)*
4.2 Development	-
4.3 Production	-
4.4 Administration	(800)
Total	(3,300)

*88 Energy equity contribution not including drawdowns on Bank of America debt funding facility

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	9,567	9,322
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other	-	-
Total: cash at end of quarter (item 1.22)	9,567	9,322

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed				
6.2 Interests in mining tenements acquired or increased	North Slope Acreage*	Joint Venture (88 Energy 78%)	-	174,240 acres

*Non-refundable 20% deposit paid. Subject to formal award by the State of Alaska

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	3,082,140,823	3,082,140,823		Fully paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	742,834,800	742,834,800	\$0.01	Fully Paid
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
	300,000		70 cents	10/4/16
	2,500,000		45 cents	31/03/16
	2,500,000		45 cents	31/10/16
	1,000,000		42 cents	12/06/17
	2,000,000		28 cents	12/06/17
	1,000,000		30 cents	22/04/16
	250,000		16 cents	12/06/17
	12,000,000		1 cent	22/10/17
	403,659,650	403,659,650	2 cents	02/03/18
	48,000,000		1.5 cents	18/02/18
	20,000,000		1.4 cents	02/03/18
	70,000,000		1.6 cents	31/08/18
	68,965,301		2.1 cents	01/11/18
7.8 Issued during quarter	68,965,301		2.1 cents	01/11/18
7.9 Exercised during quarter				
7.10 Expired during quarter	213,733		GBP£0.256	19/11/15
	487,230		GBP£0.242	19/11/15
	5,000,000		28 cents	26/11/15

+ See chapter 19 for defined terms.

	Cancelled during the quarter				
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:
(Company Secretary)

Date: 27 January 2016

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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The “Nature of interest” (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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