



22 October 2020

## **QUARTERLY REPORT**

### **Report on Activities for the Quarter ended 30 September 2020**

The Directors of 88 Energy Limited ("88 Energy" or the "Company", ASX & AIM:88E) provide the following report for the quarter ended 30 September 2020.

### **Highlights**

#### **Project Icewine**

- Condensate discovery in the Torok Formation announced April 2020, with oil pay interpreted in Seabee Formation;
- Final petrophysical interpretation, using sophisticated Laminated Sand Analysis, substantially upgrades net hydrocarbon pay in the Charlie-1 well;
- Final petrophysical interpretation will now be integrated into revised mapping of the Seabee and Torok discoveries to determine resource estimates;
- Thermal maturity of the HRZ shale confirmed as in the peak oil generation window; and
- Farm out process to be relaunched in the near term with integration of positive Charlie-1 data.

#### **Off-market Takeover Bid for XCD Energy Limited & Project Peregrine**

- 88 Energy compulsorily acquire the remaining shares and listed options in XCD Energy having reached over 90% of acceptances in the Offers;
- The merger has created an Alaska focused oil explorer with a diversified portfolio of 3 key project areas; Project Icewine, Yukon Leases and Project Peregrine at various stages of project maturity;
- Advanced seismic attribute work has identified several similarities between the key prospects at Project Peregrine and existing discovered fields nearby;
- Permitting and planning work related to drilling of up to two wells at Project Peregrine, commencing 1Q 2021, remains on schedule; and
- Project Peregrine farm-out has now been open for several weeks, with multiple parties at various stages of technical due diligence, several of whom are now progressing to commercial discussions.

#### **Yukon Acreage**

- Discussions continue with nearby resource owners to optimise the monetisation strategy of the acreage, with permitting continuing for future potential exploration drilling – subject to farm-out.

## Project Icewine

### Final Petrophysical Interpretation Substantially Upgrades Charlie-1 Net Pay

The final third party petrophysical interpretation from the recently drilled Charlie-1 well was completed in the quarter, and is detailed in the table below. These values consider data from logs obtained during drilling using a sophisticated logging suite as well as multiple laboratory analyses of sidewall cores taken from the key horizons in the Charlie-1 well. Encouragingly, the final interpretation provides a significant increase in net pay, compared to the initial interpretation, of 398' (vs 280'), with the largest contribution coming from the Lima discoveries in the Seabee Formation. These improvements are despite using higher cut-offs for both reservoir and net pay.

PROSPECT/DISCO VERY	FORMATION	GROSS ft	NET ft	NET to GROSS %	PAY ft	PAY to GROSS %	POROSITY (PHIT) avg %	WATER (SWT) avg %	INITIAL INTERPRETATION
UPPER LIMA	SEABEE	482	260	54	157	33	12.2	43	Net Pay: 8ft PHIT: 11.5% SWT: 77%
LOWER LIMA	SEABEE	320	116	36	76	24	11.4	40	Net Pay: 64ft PHIT: 11.4% SWT: 66%
UPPER STELLAR	TOROK	330	146	44	62	19	11.6	52	Net Pay: 20ft PHIT: 11.4% SWT: 76%
MIDDLE STELLAR	TOROK	234	101	43	56	24	11.4	43	Net Pay: 95ft PHIT: 11.4% SWT: 69%
LOWER STELLAR	TOROK	100	32	32	22	22	10.7	30	Net Pay: 49ft PHIT: 11.1% SWT: 55%
KUPARUK (lead)	KUPARUK	73	57	78	25	34	12.3	57	Net Pay: 44ft PHIT: 13.8% SWT: 70%

Cut-offs: PHIT>9%; SWT<70%, Vshale<40% (previously: PHIT>=8.5%; SWT<=80%, Vshale<=40%)

Both Upper and Lower Lima are confirmed as large oil discoveries by this interpretation and the lab results. The results are particularly significant as these targets are the most extensive of the Icewine conventional horizons as well as being relatively shallow, by comparison to the Torok Formation. The extent of the accumulations will be estimated over the coming weeks as these final petrophysical numbers are integrated into the updated seismic inversion product.

Similarly, the Stellar targets in the Torok Formation are also confirmed as hydrocarbon discoveries with good liquid hydrocarbon content. There remains some uncertainty about the gas to oil ratio as the liquid hydrocarbon saturations measured from the Charlie-1 cores in the lab imply much lower gas to oil ratio than that observed during the downhole tests, which recovered gas condensate. It is possible that these liquids may be unlocked by stimulation of the reservoir.

The Kuparuk also remains a prospective target, with anomalously good reservoir quality for its depth, however, no mapping has been done for this horizon and it is considered more gas prone than the Torok Formation.

Reporting requirements under LR 5.30;

The Charlie-1 well is located on the North Slope of Alaska, ADL 393380, where 88 Energy has a 30% working interest (increasing to 75%). The well penetrated sandstones in seven stacked targets and shale in one target. No flow tests were undertaken; however, gas condensate samples were retrieved to surface from the Torok formation at 10,506' and 10,656' using a downhole sampling tool (Ora) run during the wireline operation.

#### • HRZ Thermal Maturity – Peak Oil Generation Window

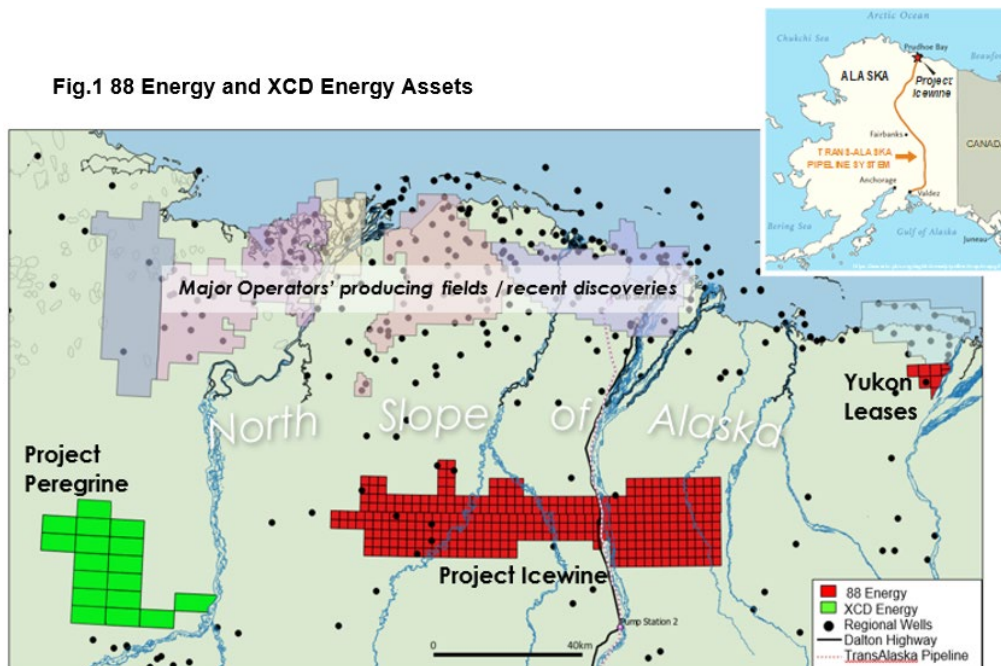
Measurements taken from both core and cuttings have confirmed that the HRZ shale at the Charlie-1 location has a vitrinite reflectance value of 0.9 (VRo %), which is within the peak oil generation window. This was also confirmed by isotope analysis of mud gases recovered whilst drilling. The confirmation of the thermal maturity model is very encouraging and further work is ongoing regarding producibility of the shale.

#### Off-market Takeover Bid for XCD Energy Limited Completed

On 27 April 2020 88 Energy announced its intention to make an off-market takeover offer to acquire all of the fully paid ordinary shares and listed options on issue in XCD Energy Limited, an oil exploration company with operations on the North Slope of Alaska, USA. Subsequently on 9<sup>th</sup> July 88 Energy announced it would compulsorily acquire the remaining shares and listed options in XCD having reached over 90% of acceptances in the Offers with completion the acquisition occurring on 17<sup>th</sup> August 2020.

The transaction has created an Alaska-focused oil exploration and appraisal company with a diversified portfolio of three highly prospective project areas: Project Icewine, Yukon Leases and the newly acquired Project Peregrine.

Fig.1 88 Energy and XCD Energy Assets

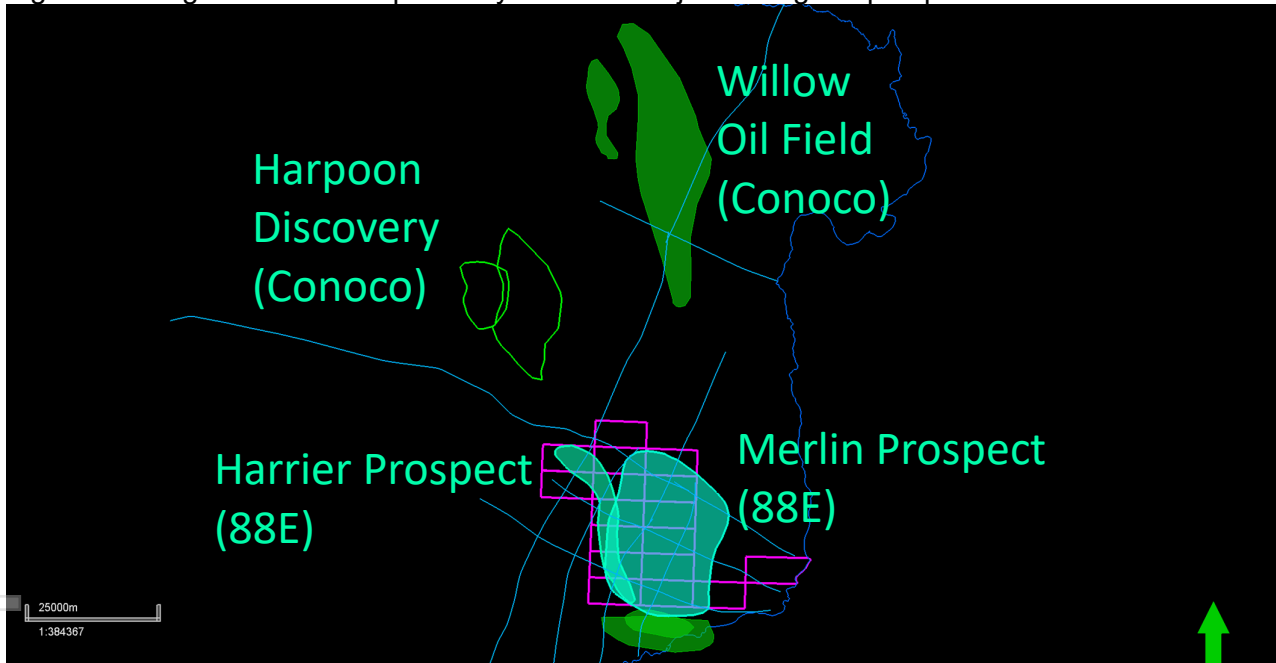


## Project Peregrine

In 2019, seismic reprocessing work was undertaken over 88E's Project Peregrine as well as on strategically selected regional 2D lines that extended into the Willow oil field to the north of the project area. This work indicated that the same shelf margins and geology extended from Willow south into 88E's acreage and analogous seismic signatures were evident at the discovered field and 88E's prospects. This was the basis for the mapping of the prospects and the independent resource estimate released in January 2020 and updated May 2020.

Subsequent to the reprocessing, amplitude vs offset studies (AVO) were also conducted and 88E has finalised its review of these products in the quarter, with very encouraging results. The studies were calibrated to the existing Willow oil field to determine if similar attributes (in addition to those observed on the reprocessed seismic) could also be observed at the Project Peregrine prospects, Merlin and Harrier. The signatures observed, in particular for Fluid Factor, are very similar between the Willow oil field and the Merlin and Harrier prospects.

Fig. 1: Existing discoveries in proximity to 88E's Project Peregrine prospects



The dataroom for the Project Peregrine farm-out has now been open for several weeks multiple parties progressed through technical due diligence and several initial non-binding offers have been received subsequent to quarter end. Whilst encouraging for the scheduled close of a deal prior to year-end, there can be no guarantee that a deal will be completed within this timeframe.

Permitting, planning and contracting works associated with the drilling of the Merlin and Harrier prospects at Project Peregrine remain on schedule for spud of the first well in 1Q 2021.



## 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 to continue ahead of a future possible drilling campaign – 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.*

## 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 totalled A\$1.2m gross (Jun'20 Quarter A\$20.1m), primarily associated with expenditure on the Charlie-1 post well testing as well as Project Peregrine well planning and permitting;
- Lease rental payments totalled \$0.398m in the quarter;
- Cash call proceeds received from Joint Venture partners in the quarter totalled A\$0.9m (Jun'20 Quarter A\$1.7m);
- Payments in relation to the debt facility interest totalled A\$0.48m (US\$0.3m);
- Payments in relation to the XCD takeover totalled \$0.7m in the quarter. In addition, 88 Energy made redundancy payments associated with the XCD Energy take-over of \$0.177m;
- XCD Energy opening cash balances received as a result of the take-over, that the now form part of 88 Energy cash balances, totalled \$0.435m; and
- Administration and other operating costs, net of government payments, totalled A\$0.480m (Mar'20 Quarter A\$0.581m).

At the end of the quarter, the Company had cash reserves of A\$4.681m, including cash balances held in Joint Venture bank accounts relating to Joint Venture Partner contributions totalling A\$0.272m.

### 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	-	36%	NIL
XCD Energy	Onshore, North Slope Alaska (NPR-A)	195,373	85.67%	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.





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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")

30 September 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	(88)
(b) development	-	-
(c) production	-	-
(d) staff costs	(298)	(985)
(e) administration and corporate costs	(332)	(870)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	2
1.5 Interest and other costs of finance paid	(482)	(1,669)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	150	174
1.8 Other (XCD - redundancy payments)	(177)	(177)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,139)</b>	<b>(3,613)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	(398)	(658)
(c) property, plant and equipment	-	-
(d) exploration & evaluation	(1,201)	(36,409)
(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 (9 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	904	24,571
	- XCD Energy takeover costs	(709)	(869)
	- XCD Energy open cash	435	435
2.6	<b>Net cash from / (used in) investing activities</b>	<b>(969)</b>	<b>(12,930)</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
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)
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	<b>Net cash from / (used in) financing activities</b>	<b>-</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	6,840	15,903
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,139)	(3,613)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(969)	(12,930)

## 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 (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	4,638
4.5	Effect of movement in exchange rates on cash held	(51)	683
4.6	<b>Cash and cash equivalents at end of period</b>	<b>4,681</b>	<b>4,681</b>

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	4,681	6,840
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>4,681</b>	<b>6,840</b>

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	12
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.	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$US'000</b>	<b>Amount drawn at quarter end \$US'000</b>
7.1	Loan facilities	16,249	16,249
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	16,249	16,249
7.5	<b>Unused financing facilities available at quarter end</b>		-
7.6	<p>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.</p> <p>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.</p>		

8.	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,139)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(1,201)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(2,340)
8.4	Cash and cash equivalents at quarter end (item 4.6)	4,681
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	4,681
8.7	<b>Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	2.0
	<p><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></p>	
8.8	<p>If item 8.7 is less than 2 quarters, please provide answers to the following questions:</p> <p>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?</p> <p>Answer: N/A</p> <p>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?</p> <p>Answer: N/A</p>	

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

*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.*

## 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: 22 October 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.