



31 October 2016

QUARTERLY REPORT

Report on Activities for the Quarter ended 30 September 2016

The Directors of 88 Energy Limited ("88 Energy" or the "Company", ASX & AIM:88E) provide the following report for the quarter ended 30 September 2016.

Highlights

- **Finalisation of well design for Icewine#2 – spud on schedule for 1Q2017**
 - **Permitting remains on track for completion by year-end**
- **Initial results from 2D mapping – excellent data quality indicating seismic geometries consistent with development of stratigraphic traps**

Finalisation of Icewine#2 Well Design

During the quarter, the Project Icewine Joint Venture revised the well design for the upcoming Icewine#2 well from a lateral to a vertical completion with a multi-stage stimulation and subsequent flow test. The improved design optimises our ability to fulfil the primary objective of the well; to determine the production potential of the HRZ shale, whilst minimising both operational risk and expenditure. The well design now includes testing the potential of the overlying HUE formation, which may result in increased resource potential for the HRZ shale. Post the initial testing and appraisal phase, the well bore may be used to drill a horizontal sidetrack into the HRZ, or another formation, in which multi-stage stimulation and flow testing could occur.

Initial Results from 2016 Modern 2D Seismic Acquisition

Preliminary interpretation of the licensed 2D seismic extracts (ASV 3D Franklin Bluffs spec. survey 2015) progressed well during the quarter due to the excellent quality of the seismic data. Initial observations indicated the presence of seismic stratigraphic features consistent with a potential toe of slope basin floor fan and underscores the potential for similar fan development across Icewine acreage. Further seismic interpretation and geological analysis is required to fully evaluate the exploration potential of the fairway leading to the development and maturation of an attractive drilling portfolio.

In addition, processing of the Icewine 2D seismic survey, (acquired by 88E in early 2016), which covers approximately two thirds of the Project Icewine acreage, is nearing completion. Initial observations indicate data quality of the same calibre as the 2D extracts referred to above.

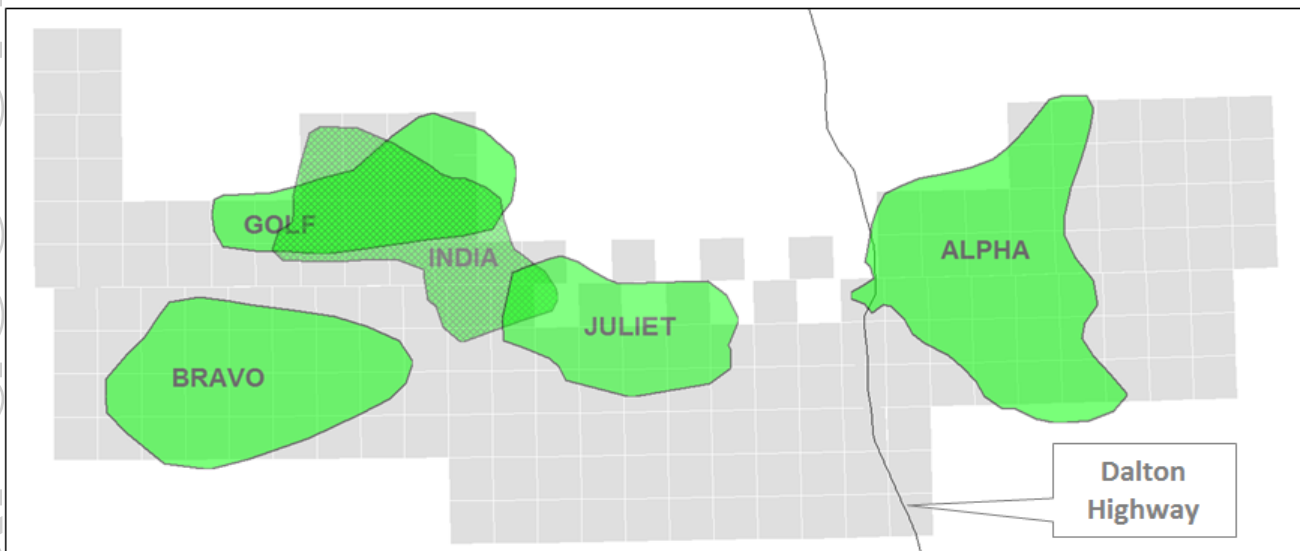
Post Quarter Significant Events

Highlights from Initial Internal Volumetric Estimates for Top 5 Leads

- Multiple large conventional leads identified in Brookian Sequence over Project Icewine
 - Leads mapped on modern 2D seismic acquired by 88 Energy in early 2016
- 758 million barrels of prospective mean recoverable oil (gross) identified in top 5 leads
 - 587 million barrels net to 88E, based on internal estimates*
- "Alpha" lead located in close proximity to existing transport infrastructure and Trans Alaskan Pipeline with 118 million barrels prospective mean recoverable oil (gross)*

- Further seismic interpretation and mapping ongoing ~50% complete with potential for additional leads to be identified

Fig.1 Conventional Prospectivity Mapping: Top 5 Leads from Interim Results



Prospective Oil Resources (Unrisked Recoverable)* for Current Top 5 Ranked Leads					
Name	Low	Best	High	Gross Mean	Net Mean to 88E (WI: 77.5%)
Alpha	19	71	263	118	91
Bravo	129	245	449	273	212
Golf	60	115	210	128	99
India	61	116	212	129	100
Juliet	52	99	181	110	85
Total				758	587

**Prospective resources classified in accordance with SPE-PRMS as at 18th October 2016 using probabilistic and deterministic methods on an unrisked basis. Leads identified from interpretation of modern 2D seismic acquired in 2015/2016 across Project Icewine, which comprises 271,119 gross acres on the Central North Slope of Alaska. 88 Energy is Operator of record at Project Icewine (through its wholly owned subsidiary Accumulate Energy Alaska, Inc) with a 77.5% working interest.*

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.



2D Seismic Interpretation and Mapping – Progress

88 Energy progressed the interpretation of the Icwine 2D seismic data acquired by the company 1H2016. Based on the preliminary mapping and interpretation 88E has identified a number of promising conventional leads within the Brookian sequence. The additional leads identified to date are predominantly stratigraphic and considered to be associated with slope apron and basin floor fan systems. Although at an early stage of assessment 88E is encouraged and considers them to have similar potential to other productive fan plays identified on the North Slope.

88E is encouraged by the potential resource size of the leads and is undertaking further technical work in order to mature and finalise the conventional portfolio.

Successful A\$11m Placement Completed with Two US-Based Institutional Investors

On the 25th October, the Company announced it had reached agreement regarding a placement to raise gross proceeds of A\$11m (before fees and expenses) to two US-based institutional investors (the “**Placement**”). The net proceeds from the Placement will be used to strengthen the Company’s balance sheet ahead of the upcoming drilling of Icwine#2 in 1Q2017, pursue complementary growth opportunities in Alaska and for general working capital purposes.

Pursuant to the Placement the Company issued 275m ordinary shares of no par value (the “**New Ordinary Shares**”) at a price of A\$0.04 (equivalent to ~£0.025) per New Ordinary Share. In addition, 137.5m unlisted options (“**Placement Options**”) at an exercise price of A\$0.055 (equivalent to ~£0.034) expiring on the five-year anniversary of completion have been issued to the investors. If exercised, the Placement Options would result in receipt of supplementary funds of ~A\$7.6m at a premium to the current market price. After the two-year anniversary of the Placement, the Company may redeem the Placement Options for A\$0.001 per option share if the volume weighted average price of its ordinary shares is above A\$0.12 per share for 20 consecutive trading days commencing after such two-year anniversary. There can be no guarantee that the Placement Options or any of the other options on issue will be exercised.

Post completion of placement, the Company now has approximately A\$28.2m in cash.



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\$0.9m, related to the processing and interpretation of 2D seismic data, well design and permitting work for Icewine#2 (June 2016 A\$14.1m);
- administration and other operating costs A\$0.9m (June 2016 of A\$1.2m);
- a net cash outflow of A\$1.5m recorded by the Company.

At the end of the quarter, the Company had cash reserves of A\$18.4 million. As at the date of this quarterly 88E has cash on hand of approximately A\$28.2m.

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 30 years' experience in the petroleum industry and is 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. His academic qualifications and industry memberships appear on the Company's website and both comply with the criteria for "Competence" under clauses 18-21 of the Valmin Code 2005. 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

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.

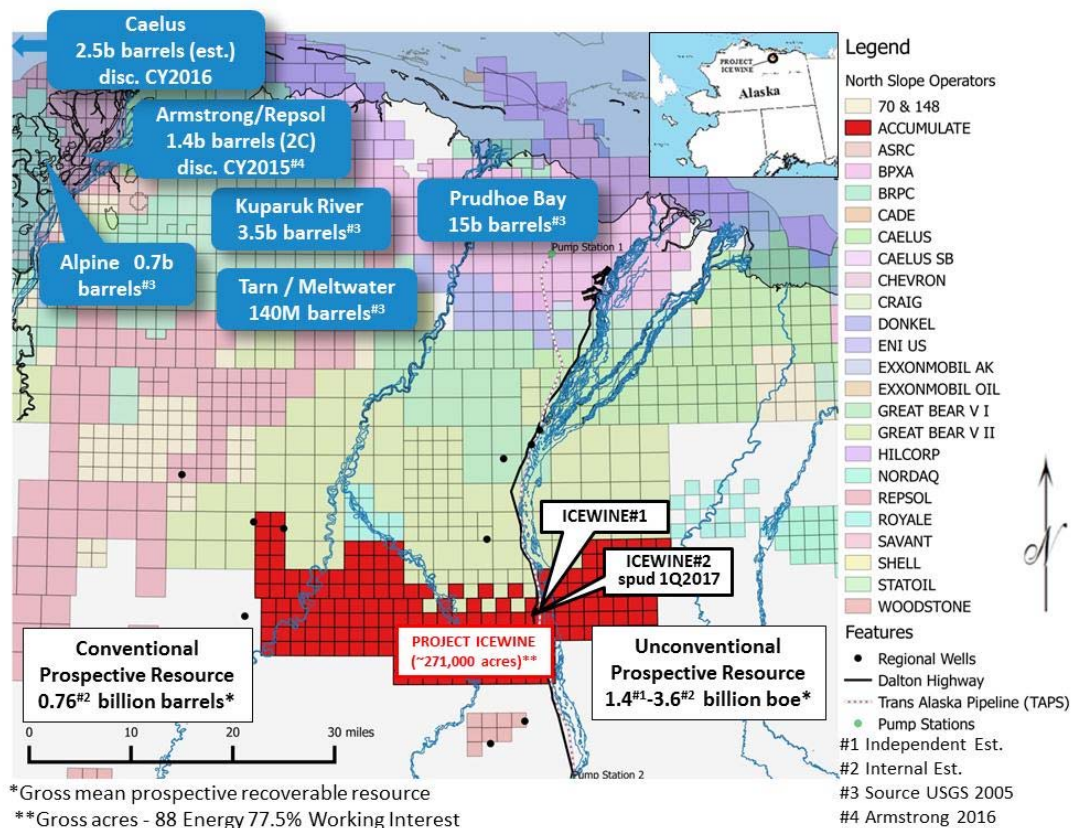
Project Icewine Overview

In November 2014, the Company entered into a binding agreement with Burgundy Xploration (**BEX**) to acquire a significant working interest (87.5%, reducing to 77.5% 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 June 2016, the gross acreage position was expanded to 271,119 contiguous acres (210,250 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 HRZ liquids-rich resource play has been successfully evaluated based on core obtained in the recently completed (December 2015) Icewine #1 exploration well, marking the completion of Phase I of Project Icewine. Phase II has now commenced, with a follow-up appraisal well, Icewine#2, scheduled for spud in 1Q2017. Icewine#2 has been designed as a vertical well with a multi-stage stimulation and flow test, to assess the production potential of the HRZ.

Significant conventional prospectivity has been identified on recently acquired 2D seismic across the Project Icewine acreage.



Project Icewine Location

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.



Generous exploration incentives are provided by the State of Alaska with up to 35% of exploration expenditure refundable in cash.

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.

Recently acquired 2D seismic has identified large conventional leads at Project Icewine within the same Brookian petroleum system and shallow to the HRZ shale, including potential high porosity channel and turbiditic sands associated with slope apron and deepwater fan plays. The Brookian conventional play is proven on the North Slope; the USGS (2013) estimated the remaining oil potential to be 2.1 billion barrels within the Brookian sequence. Two recent discoveries in the Brookian have already exceeded these estimates, with Armstrong/Repsol discovering 1.4 billion barrels in 2015 and Caelus announcing a 2.5 billion barrel discovery in 2016. Additional conventional potential exists in the Brookian delta topset play, deeper Kuparuk sands and the Ivishak Formation.

A Prospective Resources Report by DeGolyer and MacNaughton, was commissioned by 88 Energy to evaluate the unconventional resource potential of Project Icewine in February 2016 and was released to the market on 6th April 2016.

About 88 Energy: 88 Energy has a 77.5% working interest and operatorship in ~271,000 acres onshore the prolific North Slope of Alaska ("Project Icewine"). 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 three 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 has recently acquired 2D seismic 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. Interim results from this seismic are encouraging, having identified several large leads. In late 2015, the Company completed its maiden well at the project, Icewine#1, to evaluate an unconventional source rock resource play which yielded excellent results from analysis of core obtained from the HRZ shale. A follow-up well with a multi-stage stimulation and test of the HRZ shale, Icewine#2, is scheduled for 1Q2017.

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 2016

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	179	726
1.2	Payments for		
	(a) exploration & evaluation	(901)	(24,591)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(169)	(371)
	(e) administration and corporate costs	(650)	(2,283)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	6	33
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Research and development refunds	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(1,535)	(26,486)
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(3)	(3)
	(b) tenements (see item 10)	-	-
	(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	(3)	(3)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	26,316
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	16	10,424
3.4	Transaction costs related to issues of shares, convertible notes or options	(8)	(1,276)
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	Net cash from / (used in) financing activities	8	35,464

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	20,048	9,604
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,535)	(26,486)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3)	(3)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	8	35,464
4.5	Effect of movement in exchange rates on cash held	(83)	(144)
4.6	Cash and cash equivalents at end of period	18,435	18,435

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	18,435	20,048
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)	18,435	20,048

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	210
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	-
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	

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	32,387	17,613
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 for a facility of up to US\$50 million. Interest on the drawdown is paid upfront being Eurodollar rate (1% p.a.) plus the applicable rate (6.5% p.a.). The facility is secured by available Production Tax Credits.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	(1,000) ⁽¹⁾
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(150)
9.5 Administration and corporate costs	(700)
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	(1,850)

⁽¹⁾ 88 Energy equity contribution not including drawdowns on Bank of America debt funding facility.

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 Acreage	Joint Venture (88 Energy 78%)	174,240	174,240 acres

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.

Sign here:
(Company Secretary)

Date: 31 October 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 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.