

18<sup>th</sup> June 2018

## **88 Energy Limited Operations Update**

88 Energy Limited (ASX: 88E) ("88 Energy" or the "Company") is pleased to announce the following update for its projects located on the North Slope of Alaska.

### **Highlights**

- **Nitrogen lift commenced at Icewine#2**
- **Yukon Gold and Western Margin leases formally awarded**

### **Project Icewine – Icewine#2 Production Testing**

As at 0530 17<sup>th</sup> June (AK time), wellhead pressure was 370psi with a flowback rate of 166 barrels of water per day on a variable choke setting, in order to manage wellhead pressure (currently 28/64").

A production log was run on 12<sup>th</sup> June and confirmed that all perforations were contributing to flow. As per the flowback design, nitrogen was then introduced gradually to the wellbore from 0845 13<sup>th</sup> June (AK time), prior to installation of the coiled tube velocity string, to artificially lift stimulation fluids in order to gain connectivity to the reservoir. The flowback rate stabilised at 200 barrels of water per day through an 8/64" choke and then steadily declined to circa 100 barrels of water per day, as per expectation.

Flowback was interrupted, as per the program, on the 15<sup>th</sup> June 08:00 (AK time) to allow installation of the velocity string. Flow was re-established on 15<sup>th</sup> June at 20:00 (AK time) with nitrogen introduced into the annulus between the 4.5" casing and the 1.75" velocity string. After displacement of fluid in the annulus, the flowback rate stabilised at 350bpwd through a variable choke to maintain a target wellhead pressure of 200-400psi. This technique decreases the backside pressure in the system and optimises lifting of fluid from the wellbore.

Flowback is now being run through the separator and gas chromatograph and is considered to be 100% stimulation fluid and gas. The gross gas rate is averaging 571mcf/d. Approximately 24.8%, or 142mcf/d, of this is estimated to be hydrocarbons with the remainder being returned nitrogen, injected as part of the artificial lift. Hydrocarbon content is mostly methane (90%) with some heavier elements up to trace C6. The composition and rate is as expected for this stage of the flowback and results are considered unrepresentative of the hydrocarbon composition in the reservoir, as the well is still in clean-up phase. Salinity measurements of the flowback fluid indicate that connectivity to the reservoir remains limited, as expected, at this early stage.

Total clean up fluid returned (net of diesel for freeze protection and any other fluids introduced as part of the current operation) since commencement of flowback on 12<sup>th</sup> June is 820 barrels (interpreted as 100% stimulation fluid). Total fluid returned for the entire flowback operation, including last year, is now 6,353 barrels or 23% of the frac fluid injected vs a target percentage return of at least 30%.

The Icewine#2 well is located on the North Slope of Alaska (ADL 392301). 88 Energy Ltd (via its wholly owned subsidiary, Accumulate Energy Alaska, Inc) has a 77.55% working interest in the well. The well was stimulated in two stages over a gross 128-foot vertical interval in the HRZ shale formation, from 10,957-11,085ft TVD, using a slickwater treatment comprising 27,837 barrels of fluid and 1,034,838 pounds of proppant.

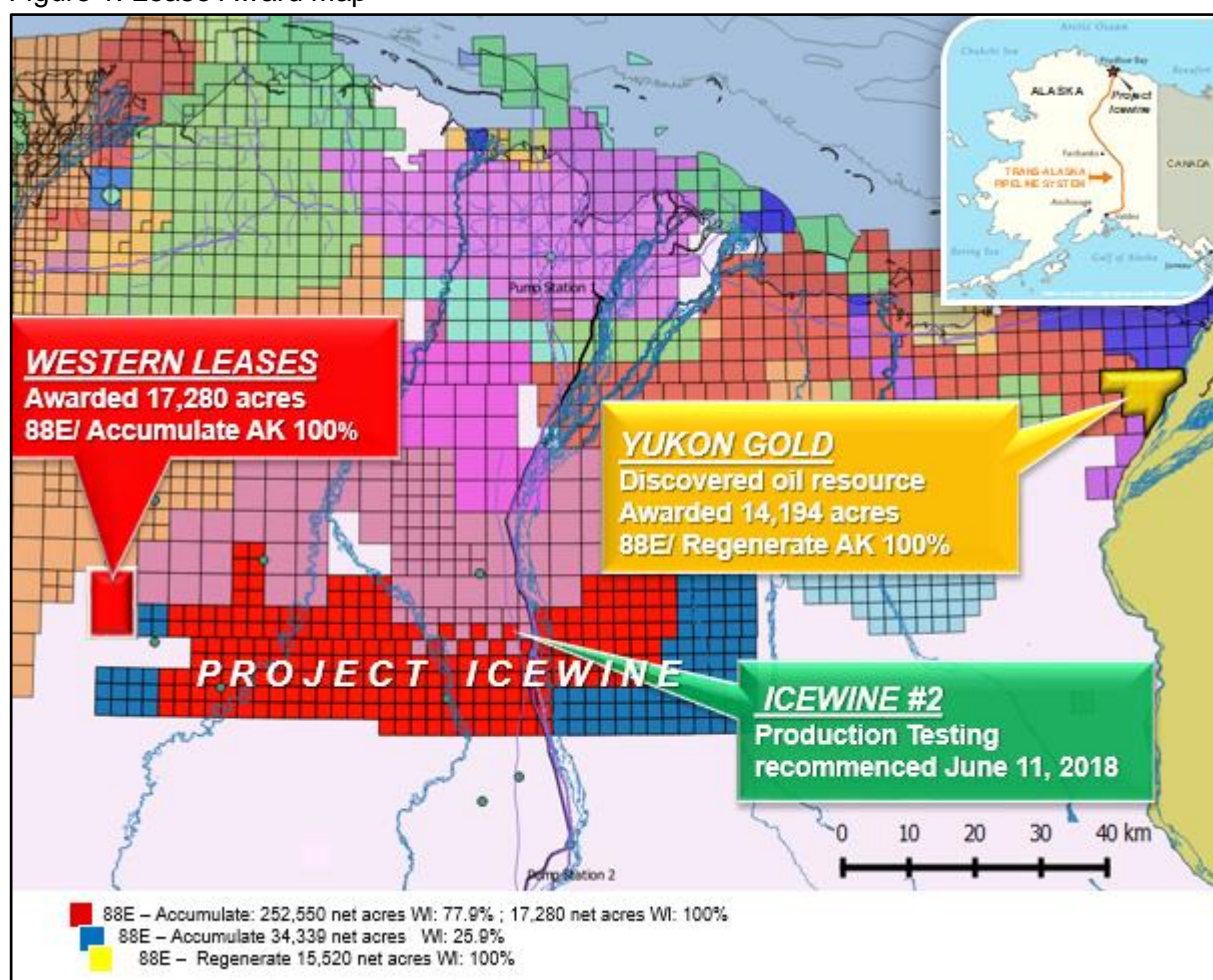
Prior to Winter shut-in (2017) 20% of the stimulation fluids had been flowed back versus a projected minimum target of 30% to gain connectivity to the source rock reservoir.

Flowback commenced, on schedule, at 22:30 11<sup>th</sup> June 2018 (AK time) to clean-up stimulation fluids from the Icewine#2 borehole with a well head pressure of 3,000 psi and flowback rate of 253 barrels of water per day on an 8/64" choke.

### Lease Award Update

88 Energy, via its subsidiaries Accumulate Energy Alaska, Inc and Regenerate Alaska, Inc, has been formally awarded acreage it successfully bid on in the State of Alaska North Slope Licensing round December 2017. Lease documents have been executed and returned to the Alaska Department of Natural Resources and balance of funds have been wired.

Figure 1. Lease Award Map



Yours faithfully



Dave Wall  
Managing Director  
88 Energy Ltd

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, 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.

Media and Investor Relations:

**88 Energy Ltd**

Dave Wall, Managing Director

Tel: +61 8 9485 0990

Email: [admin@88energy.com](mailto:admin@88energy.com)

**Finlay Thomson**, Investor Relations

Tel: +44 7976 248471

**Hartleys Ltd**

Dale Bryan

Tel: + 61 8 9268 2829

**Cenkos Securities**

Neil McDonald/Derrick Lee

Tel: + 44 131 220 6939



## Project Icewine Overview

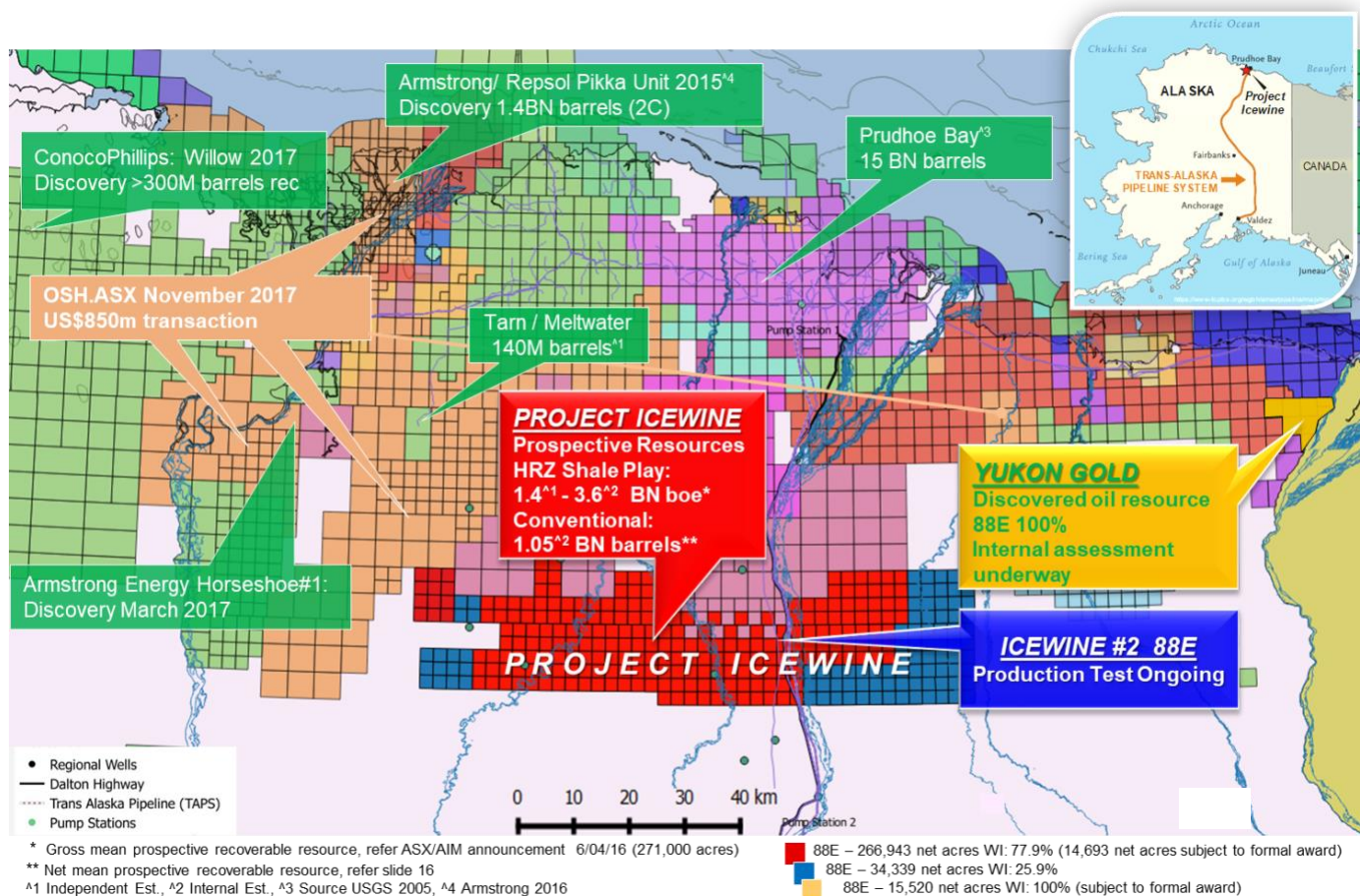
In November 2014, the Company entered into a binding agreement with Burgundy Xploration (**BEX**) to acquire a significant working interest (87.5%, reducing to 77.5% on spud of the first well on the project) in a large acreage position on a multiple objective, liquids rich exploration opportunity onshore Alaska, North America, referred to as Project Icewine. The current gross acreage position is ~475,000 contiguous acres (301,000 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 drilling at the follow-up appraisal well, Icewine#2, commencing early 2Q2017. Production testing is ongoing.

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

## Project Icewine Acreage



**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.



Exploration incentives provided by the State of Alaska with up to 35% of net operating loss refundable in cash were concluded for all expenditure post 31 December 2017.

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 6<sup>th</sup> April 2016.

**About 88 Energy:** 88 Energy has a 63% working interest and operatorship in ~342,000 acres onshore the prolific North Slope of Alaska ("Project Icewine"). Gross contiguous acreage position for the Joint Venture is ~475,000 acres (88E 301,000 net acres). 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, spud in early 2Q2017. Flow testing at Icewine#2 is scheduled to re-commence in June 2018.