25th June 2018

**88 Energy Limited**

**Term Sheet Executed to Drill Large Oil Prospect 1Q 2019**

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

**Agreement to Drill High Impact Well with Consortium**

88 Energy Limited (ASX/AIM:88E), along with Otto Energy Ltd (ASX:OEL) and Red Emperor Limited (ASX/AIM:RMP), collectively the "Consortium Partners", is pleased to advise that it has executed a binding term sheet agreement with Great Bear Petroleum Ventures II LLC ("Great Bear") to acquire the majority of Great Bear's working interest in the four leases comprising the Western Blocks (ADL 391718; ADL 391719; ADL 391720; ADL 391721). The leases are located immediately adjacent to the Horseshoe#1/1A well, which discovered oil in 2017.

88 Energy Ltd Managing Director, Dave Wall, commented:

"*The Western Blocks transaction represents a significant opportunity for 88E shareholders to gain exposure to one of the most prospective oil plays available globally, complementing our existing conventional portfolio on the North Slope.*

*Preparations for drilling are now underway and commencement of drilling of the exploration well is scheduled in less than 9 months.*

*We would like to thank Otto's technical team for generating the prospect and Great Bear for moving quickly to reach an agreement. 88E also look forward to working with Red Emperor and welcome them to the Slope.*

*Our Alaskan Operations team, led by Erik Opstad, will be working closely with Great Bear and the regulatory agencies in Alaska to ensure that the well is permitted and drilled on time in a safe and environmentally conscious manner."*

The relevant interests in the commercial agreements are as follows (subject to regulatory approval by the State of Alaska):

| | Current Working Interest | Post-transaction | | | |
|---|---|---|---|---|---|
| | | Working Interest (before back-in) | Paying Interest (before back-in) | Net Revenue Interest* (before back-in) | Working Interest (after back-in) |
| 88 Energy (Drilling Management) | - | 36.0% | 40% | 30.00% | 32% |
| Otto Energy | 10.8% | 22.5% | 25% | 18.75% | 20% |
| Red Emperor | - | 31.5% | 35% | 26.25% | 28% |
| Great Bear Petroleum** | 89.2% | 10.0% | - | 8.33% | 20% |
| State of Alaska | - | - | - | 16.67% | |
| | 100% | 100.0% | 100% | 100% | 100% |

*Government royalty of 16.67%. **Currently Operator of record on leases.

In consideration for acquiring the above interests in the Western Block leases, the Consortium Partners will undertake the following:

- Provide a performance bond to the State of Alaska of US$3.0 million by 31 July 2018; and
- Drill an exploration well in the Western Block leases by 31 May 2019

The consortium partners will provide the following consideration to Great Bear:

- Free carry Great Bear for a 10% working interest in the leases for the initial test well; including all associated costs such as permitting, ice road access and test production disposition;
- Pay US$500,000 upon execution of the definitive agreements;
- Pay US$500,000 upon receipt of final permits necessary to drill the initial test well, in any case by no later than 31 December 2018; and
- Provide an option for Great Bear to acquire a further 10% working interest prior to the spud of the initial test well by paying the pro-rata share of all costs of the initial test well, including all associated costs, or if exercised within 6 months of completing the initial test well by paying 200% of the pro-rata share of all costs of the initial test well, including all associated costs.

**Western Blocks Prospect, North Slope Alaska**

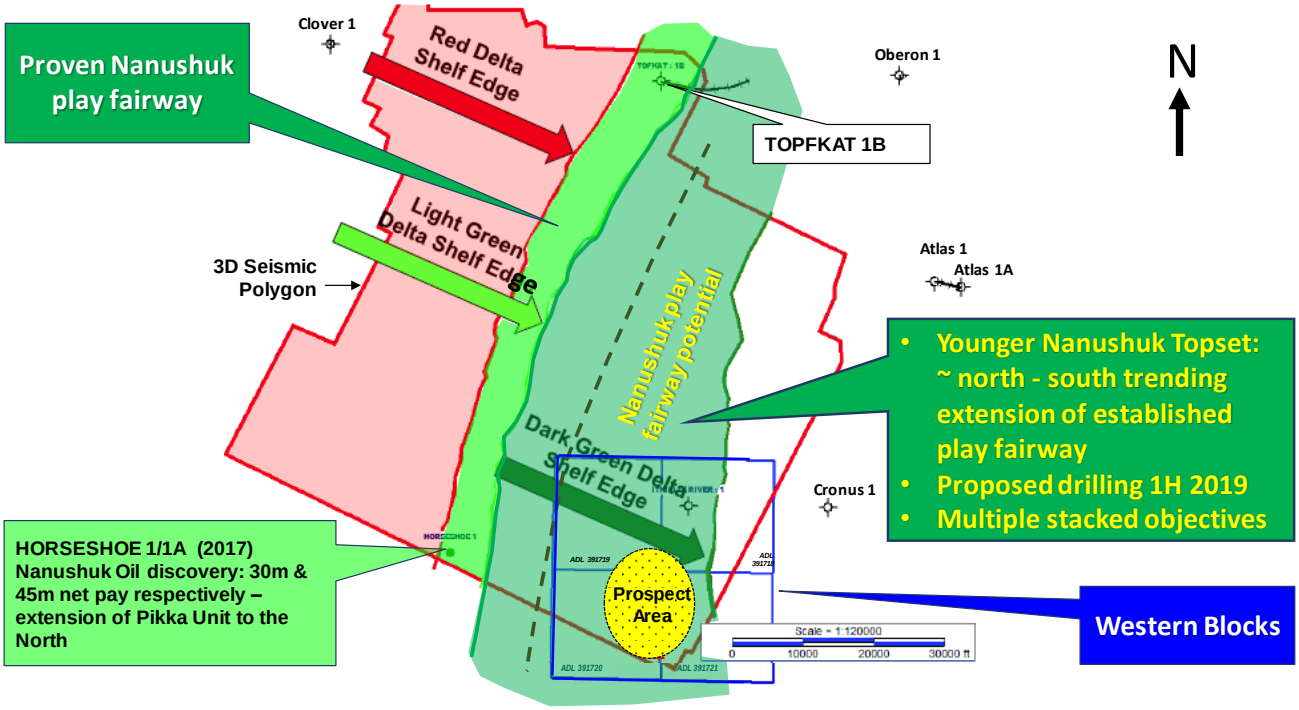
Technical evaluation and 3D seismic interpretation of the Western Blocks by our Consortium Partner, Otto Energy Ltd, has generated an oil prospect in the successful Nanushuk play with a gross mean unrisked prospective resource volume of 400MMbbls (144MMbbls net to 88E) and a geological chance of success in the range of 25-30%.

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.

**Prospective Resources Reporting Notes (Western Blocks prospect reported for the first time)**

(i) The prospective resources information in this document is effective as at 30 April 2018 (Listing Rule (LR) 5.25.1). (ii) The prospective resources information in this document has been estimated and is classified in accordance with SPE PRMS (Society of Petroleum Engineers Petroleum Resources Management System) (LR 5.25.2). (iii) The prospective resources information in this document is reported according to the Company's economic interest in each of the resources and net of royalties (LR 5.25.5). (iv) The prospective resources information in this document has been estimated and prepared using the deterministic method (LR 5.25.6). (v) The prospective resources information in this document has been estimated using a 6:1 BOE conversion ratio for gas to oil; 6:1 conversion ratio is based on an energy equivalency conversion method and does not represent value equivalency (LR 5.25.7). (vi) The prospective resources information in this document has been estimated on the basis that products are sold on the spot market with delivery at the sales point on the production facilities (LR 5.26.5.) (vii) Prospective resources are reported on a best estimate basis (LR 5.28.1). (viii) For prospective resources, the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons (LR 5.28.2). (ix) In respect to the prospective resources referred to in this statement, 88E is earning a 36% working interest in four leases (ADL#s 391718, 391,719, 319720 and 391721), totalling 22,711 acres all of which are located on the North Slope, Alaska, USA (LR 5.35.1). (x) The prospective resources have been estimated on the following basis (LR 5.35.2): the best estimate prospective recoverable resource calculation was based on a consideration of offset well information and seismic expression; a combination of volumetric assessment and field analogues have been used to

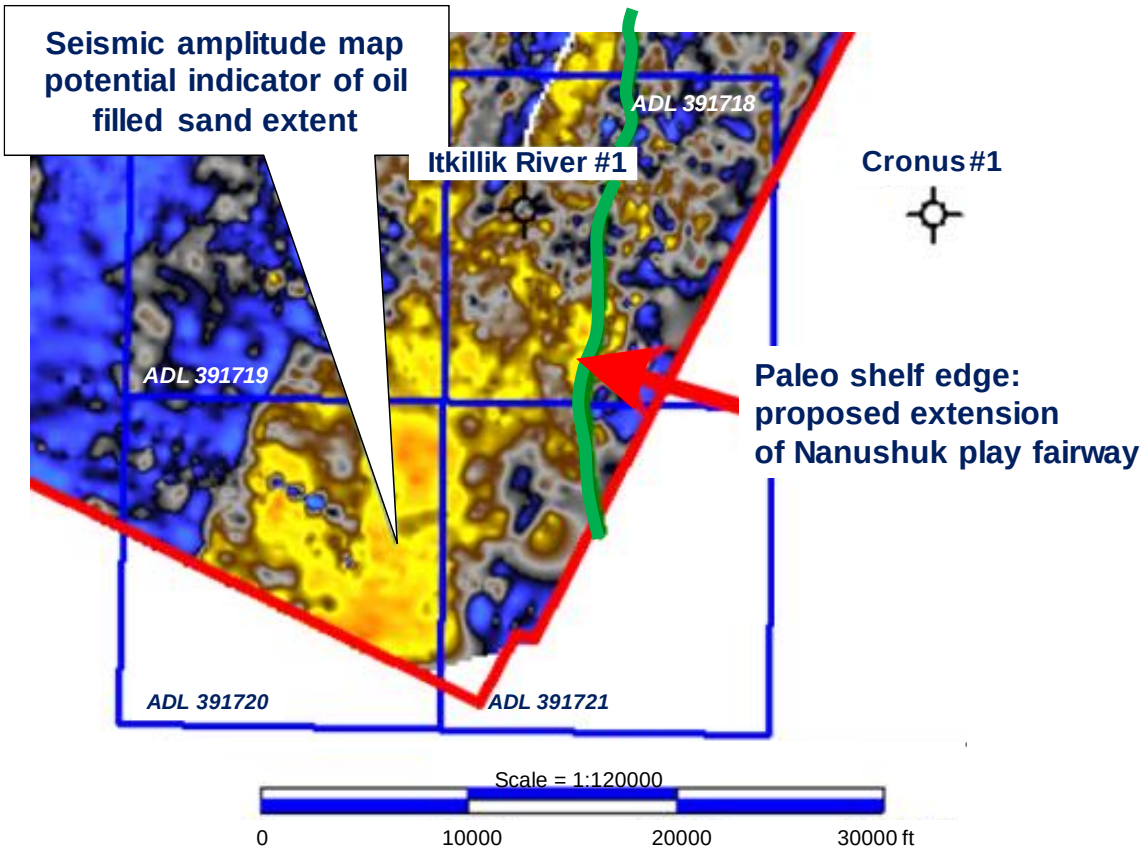
estimate the prospective resources; exploration drilling will be required to assess these resources. (xi) The chance of discovery is considered moderate as the prospective resources are near developed and undeveloped reserves and in a proven oil and gas producing province. There is a risk that exploration will not result in sufficient volumes of oil and/or gas for a commercial development (LR 5.35.3). (xii) Prospective resources are un-risked and have not been adjusted for an associated chance of discovery and a chance of development (LR 5.35.4).




Source: modified from Otto Energy Ltd

The prospect is located approximately 4 miles east of the Horseshoe#1/1A Nanushuk oil discovery well drilled in 2017.

Seismic data, acquired from the Alaskan Department of Natural Resources – Division of Oil and Gas and interpreted by Otto Energy Ltd, indicates that the prospect shares many of the positive attributes seen at the Horseshoe#1/1A discovery, which intersected light oil reservoired in more than 150ft and 100ft of net oil sand, respectively, in the Nanushuk delta sequence at just over 5,000ft below the surface.




Source: modified from Otto Energy Ltd

The oil discovery at Horseshoe extended the Nanushuk play some 20 miles south of existing discoveries within the Pikka Unit such as Qugruk 8 and Qugruk 301, which flowed 30 degree gravity crude at rates of 2,160 and 4,600 bbls/d respectively (Source: Repsol announcement, 2 June 2015 https://www.repsol.com/en/press-room/press-releases/2015/06/02/repsol-completes-successful-testing-at-two-oil-wells-in-alaska.cshtml).

The Horseshoe oil discovery signalled the presence of an extensive previously overlooked hydrocarbon province on the North Slope, which is now attracting major development capital.

88 Energy will fund its share of the performance bond, back costs and well cost (gross well cost estimated at US$15m on a dry hole, trouble free basis) out of its existing cash position. Total net cost to 88E is estimated at US$6.4m and cash at bank is currently US$11.1m (unaudited). Definitive documents are scheduled for completion prior to the payment of the performance bond on 31st July 2018.

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.

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## 88 Energy Alaska North Slope Assets Overview

### Project Icewine

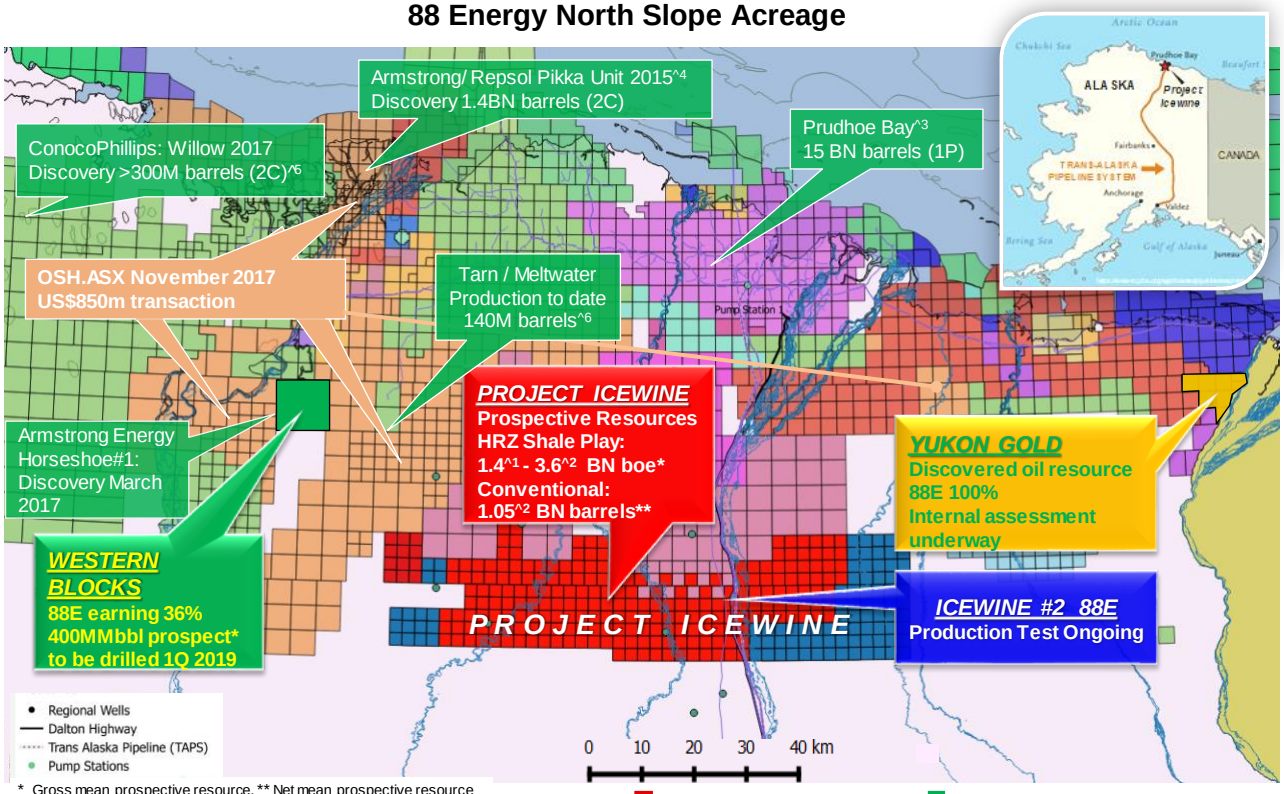
In November 2014, the Company entered into a binding agreement with Burgundy Xploration (**BEX**) to acquire a significant working interest (87.5%, reducing to 77.5% on spud of the first well on the project) in a large acreage position on a multiple objective, liquids rich exploration opportunity onshore 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). These are marked in blue and red on the below map.

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 Icewine #1 exploration well (December 2015), marking the completion of Phase I of Project Icewine. Phase II has now commenced, with drilling at the follow-up appraisal well, Icewine#2, concluding mid 2017. Production testing is ongoing.

Significant conventional prospectivity has also been identified on recently acquired 2D and 3D seismic across the project acreage.

### 88 Energy North Slope Acreage




* Gross mean prospective resource, ** Net mean prospective resource
^1 Independent Est., ^2 Internal Est., ^3 Source USGS 2005,
^4 Armstrong 2016,^5 ConocoPhillips April 2018,
^6 Alaska Oil and Gas Conservation Commission June 2018

88E – 266,943 net acres WI: 77.9%
88E – 34,339 net acres WI: 25.9%
88E – 14,194 net acres WI: 100%
88E – Earning 8,175 net acres WI: 36%

*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.*

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.

**Yukon Gold**
The Yukon Gold leases are located on the eastern border of the Central North Slope of Alaska and were acquired in 2018. 88 Energy via its subsidiary has a 100% working interest in these leases, totalling 14,190 acres. The leases contain an historic discovery well, Yukon Gold #1, which is currently being evaluated internally. 3D seismic was acquired in early 2018 to assist with this process and results are expected in 4Q2018. The leases are marked in yellow on the above map.

**Western Blocks**
88 Energy is earning a 36% working interest in four leases (totalling 22,711 acres) immediately adjacent to the Horseshoe#1/1A oil discovery well. 88 Energy, with its consortium partners Otto Energy Ltd and Red Emperor Resources NL, will pay a US$3m performance bond to the State of Alaska and 100% of the costs of well, targeting a prospect with a gross mean unrisked prospective resource volume of 400MMbbls (144MMbbls net to 88E), to be drilled in 1Q 2019. The leases are marked in green on the above map.