

This announcement contains inside information

88 Energy Limited

MERLIN-2 OPERATIONS UPDATE

Highlights

- Snow road construction preparations underway for Merlin-2 drilling operations
- Merlin-2 appraisal well permitting well advanced, with the Permit to Drill expected to be issued around year-end
- Commissioning of the Arctic Fox rig scheduled for January 2022
- Spud of Merlin-2 appraisal well on track for February 2022
- Contractor to accept pre-payment in 88E shares reflecting support for Merlin-2 opportunity

88 Energy Limited (ASX:88E, AIM:88E, OTC:EEENF) (“88 Energy” or the “Company”) is pleased to provide an update on operations at 88 Energy’s Project Peregrine. Operations remain on track for the spud of the Merlin-2 appraisal well in February 2022, with snow road construction preparations underway and construction expected to commence prior to the end of 2021, subject to weather conditions.

Pre-commissioning inspection of the Arctic Fox rig is planned for early January, with an inspection prior to contracting the rig confirming it to be in excellent condition. Commissioning of the rig is expected to occur following the rig inspection in January 2022 and immediately prior to mobilisation to the Merlin-2 drill site.

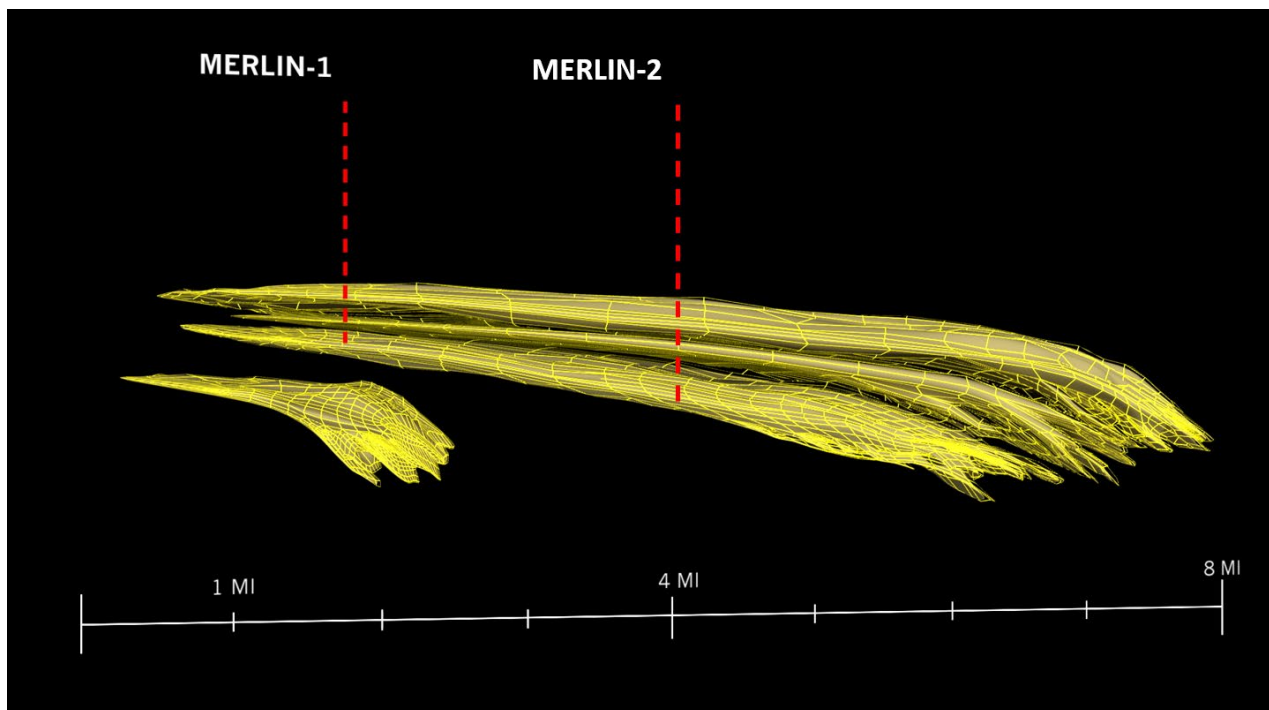
A key contractor involved in the Merlin-2 operations who provides snow road and drilling management services including significant operational, logistic, permitting and government liaison services, contractor management, co-ordination of accounts payable support and payment management has agreed to accept payment in new ordinary shares in 88 Energy for payment of up to US\$7,500,000 worth of invoices which will be incurred in relation to services associated with the Merlin-2 operations provided by a contractor, demonstrating support for the Merlin-2 well proposition and broader Project Peregrine opportunity. In consideration, 88 Energy has agreed to issue the contractor 407,650,000 new ordinary shares (“New Shares”) at a price of A\$0.026 per share to the vendor.

The New Shares will be issued as a pre-payment for services and are to be held in escrow and subject to certain restrictions. The New Shares will only be released from escrow following approval by 88 Energy. The vendor has the option to dispose of the New Shares, subject to certain restrictions under the escrow arrangement, however any proceeds will be held in trust until the associated invoices are received and approved by 88 Energy. A reconciliation and final payment of any outstanding invoices (in cash) is to occur following completion of Merlin-2 drilling operations.

Payment of a proportion of Merlin-2 costs through the issue of the New Shares further solidifies the Company's strong financial position ahead of commencement of the Merlin-2 well and planned testing program.

Permitting for the Merlin-2 appraisal well remains on track for scheduled spud in February 2022, with the Permit to Drill expected to be approved and issued around the end of the year.

The Merlin-2 appraisal well is planned for a Total Depth of 8,000 feet, and is targeting 652 million barrels of oil^{1,2} in the highly prospective N18, N19 and N20 targets that were encountered in the successful Merlin-1 well (drilled in March 2021 to a depth of 5,267 feet), which demonstrated the presence of oil in these multiple stacked sequences within the Brookian Nanushuk Formation



Wireframe image showing respective Merlin-1 and Merlin-2 well locations, facing east and overlain with predicted reservoir sands profile.

Further details on the upcoming operations at the highly prospective Merlin-2 appraisal well, and the Company's other activities, are contained in the Company's latest corporate presentation, which is available on 88 Energy's website at www.88energy.com.

¹ *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.*

² *Mean unrisksed resource - Net Entitlement to 88 Energy. Refer announcement released to ASX on 16 August 2021*

This announcement has been authorised by the Board.

Media and Investor Relations:

88 Energy Ltd

Ashley Gilbert, Managing Director

Tel: +61 8 9485 0990

Email: investor-relations@88energy.com

Finlay Thomson, Investor Relations

Tel: +44 7976 248471

Fivemark Partners, Investor and Media Relations

Tel: +61 410 276 744

Andrew Edge / Michael Vaughan

Tel: +61 422 602 720

EurozHartleys Ltd

Dale Bryan

Tel: + 61 8 9268 2829

Cenkos Securities

Neil McDonald / Derrick Lee

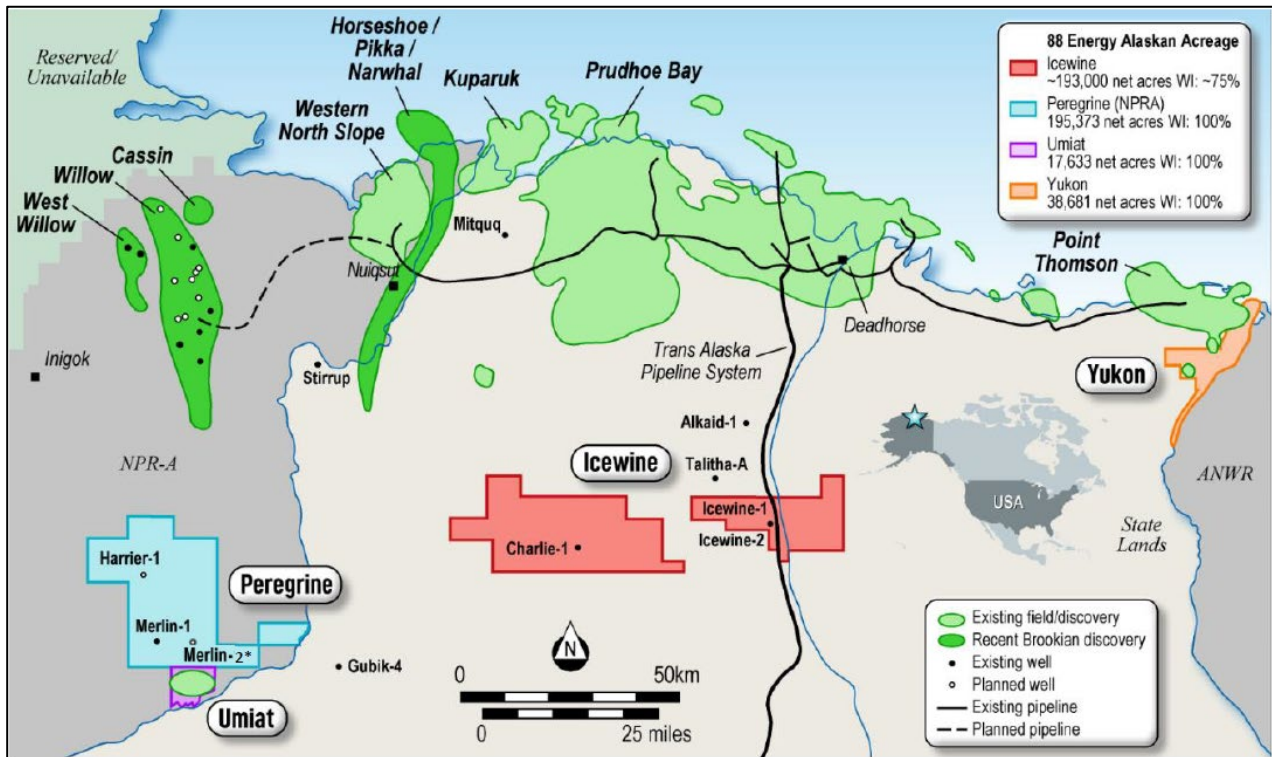
Tel: + 44 131 220 6939

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 resource and reserve 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.

About Project Peregrine

Project Peregrine is located in the NPR-A region of the North Slope of Alaska and encompasses approximately 195,000 contiguous acres. It is situated on trend to recent discoveries in a newly successful play type in topset sands in the Nanushuk formation. 88 Energy has a 100% working interest in the project.

Project Peregrine and Recent Nanushuk Discoveries



* Approximate planned Merlin-2 appraisal well location

The Merlin-1 well was spudded in March 2021 with drilling operations completed in April 2021. Interpretation of results was completed in August 2021 with post-well evaluation successfully demonstrating the presence of oil in N20, N19 and N18 targets, with 41 feet of net log pay across the three reservoir intervals noted and geochemical analysis determining the oil to have an estimated API gravity between mid-30 to low-40 API (light oil).

A second well, the Merlin-2 appraisal well, is planned to be drilled in Q1 2022 as a follow-up well to the Merlin-1 exploration well. Merlin-2 is targeting a net entitlement mean Prospective Resource of 652 million barrels (unrisked)^{1,2}.

To view the Company's video and animated presentations of Project Peregrine, as well as the Merlin-1 well results and details of the Merlin-2 well, please click on the link to the 88 Energy website www.88energy.com.

Independent oil and gas reservoir evaluation consultancy, ERCE Australia Pty Ltd (ERCE), conducted an updated assessment of the Project Peregrine prospective resources post the Merlin-1 well results. The updated prospective resource estimates and risking assessments for Project Peregrine are noted below.

Revised Project Peregrine Prospective Resources

Project Peregrine: Alaska North Slope	Unrisked Net Entitlement to 88E ^{1, 4} Prospective Oil Resources (MMstb)				
	Prospects (Probabilistic Calculations)	Low (1U)	Best (2U)	High (3U)	Mean
Merlin-2 (Nanushuk – N20, N19 and N18)	64	329	1,467	652	56%
Merlin-1A (Nanushuk – N14S)	25	87	282	132	17%
Harrier (Nanushuk)	41	175	796	353	24%
Harrier Deep (Torok)	35	226	1,132	486	20%
Prospects Total				1,624²	

1. The Prospective Resources presented here are the result of a risked probabilistic aggregation of the individual stacked prospective layers in each prospect; the success case estimates present the distribution of possible outcomes in the event that at least one prospective layer is successful.

2. Unrisked mean total is not representative of the expected total from the four prospects and assumes a success case in all four wells.

3. COS represents the geological chance of success of at least one of the stacked layers which comprise each prospect. This excludes phase risk which ERCE has estimated to be 70% oil (30% gas). The Prospective Resources have also not been adjusted for the chance of development, which is estimated by 88 Energy to be 60% (including phase risk), ERCE sees this as reasonable based on the data available. Quantifying the chance of development (COD) requires consideration of both economic contingencies and other contingencies, such as legal, regulatory, market access, political, social license, internal and external approvals and commitment to project finance and development timing. As many of these factors are out-with the knowledge of ERCE they must be used with caution.

4. Gross Prospective Resources include off-block volumes over which 88 Energy has no mineral rights. Net working interest Prospective Resources are based on the on-block volumes and 88 Energy's 100% working interest. Net entitlement Prospective Resources are the net working interest Prospective Resources less royalties payable to others. The net entitlement interest to 88 Energy is calculated as 84.7% of net working interest after deduction of state royalty (12.5%) and overriding royalty interests (1.3% and 1.5%).