

This announcement contains inside information

88 Energy Limited PLACEMENT TO RAISE A\$32M

Highlights

- Oversubscribed share placement raising A\$32 million gross proceeds (A\$30 million net proceeds).
- Issue price of A\$0.035 per share represents a 10.3% discount to the VWAP on the ASX for the thirty calendar days to 9 February 2022
- Funds to be directed towards Merlin-2 appraisal well drilling and flow test program, new ventures opportunities and working capital.

88 Energy Limited (ASX:88E, AIM:88E, OTC:EEENF) (**88 Energy** or the **Company**) is pleased to advise that it has successfully completed an oversubscribed bookbuild to domestic and international institutional and sophisticated investors to raise A\$32 million before costs (the **Placement**). This is to be achieved through the issue of 914,285,714 fully paid ordinary shares in the Company (the **New Ordinary Shares**) at an issue price of A\$0.035 (equivalent to £0.018) per New Ordinary Share) (the **Placement Price**).

The funds raised under the Placement, which have been increased to satisfy investor demand, together with the Company's existing cash reserves (A\$32.3 million as at 31 December 2021), are to be used to fund the planned Merlin-2 well drilling and appraisal activities including flow test program, contingencies, new ventures portfolio expansion opportunities, and working capital.

With the recent issuance of the Permit to Drill, the Merlin-2 well is now scheduled to spud in early March 2022, with all major permitting and planning complete, snow road pioneering construction complete and the mobilisation of the Arctic Fox rig commencing to the drilling location.

COVID-19 supply chain issues and global commodity price increases have placed some pressures on budgeted Merlin-2 costs, however lessons learned from the Merlin-1 program have allowed 88 Energy to mitigate many of these cost pressures. The Company is expecting the cost to drill the Merlin-2 well plus completion of the wireline program to total approximately US\$28 million (approximately A\$39 million).

88 Energy Managing Director and CEO, Ashley Gilbert, commented:

"Completion of this placement ensures 88 Energy is funded to undertake the full suite of targeted appraisal activities at the Merlin-2 well, including flow testing of the well. While budgeted well costs

have increased due to global supply chain pressures, it is important to note that 88 Energy is still expected to drill and appraise Merlin-2 at substantially lower cost levels relative to other operators on the Alaskan North Slope.”

“88 Energy has also been actively assessing multiple new venture opportunities across the asset life cycle to expand our portfolio of assets and opportunity types. We are targeting assets that are complementary to the existing portfolio and provide shareholders with exposure to additional value creation potential. The Company has signed a non-binding memorandum of understanding to acquire a conventional producing oil and gas asset in the Permian Basin Texas USA, with due diligence and documentation nearing completion. Subject to entry into a binding agreement, the Company expects that this opportunity will deliver immediate cash flow and near-term production drilling upside and we look forward to providing shareholders more details when such agreement is entered.”

Euroz Hartleys Limited acted as Sole Lead Manager and Sole Bookrunner to the Placement. Cenkos Securities Plc is acting as 88 Energy’s Nominated Adviser and Sole Broker to the Placement in the United Kingdom. Inyati Capital Pty Ltd (**Inyati**) acted as Co-Manager to the Placement. Commission for the Placement was 6% (plus GST) of total funds raised across Euroz Harleys Limited, Inyati Capital Pty Ltd and Cenkos Securities Plc. In addition, the Company will issue 36,000,000 Unlisted Options (exercisable at \$0.06 on or before the date which is 3 years from the date of issue) to the managers of the Placement (**Broker Options**).

The issue of the 914,285,714 New Ordinary Shares and Broker Options are not subject to shareholder approval as the issuance will fall within the Company's placement capacity pursuant to ASX Listing Rule 7.1. The New Ordinary Shares will rank pari passu with the existing ordinary shares in the Company, with settlement scheduled for Monday 22 February 2022.

Following the issue of the New Ordinary Shares, the Company will have 15,725,361,910 ordinary shares on issue, all of which have voting rights. The figure of 15,725,361,910 ordinary shares may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or change their interest in, the Company.

The Company notes that several media reports have stated that the Company will issue shares to a key drilling contractor involved in the Merlin-2 operations for payment of invoices incurred in relation to services associated with the Merlin-2 operations. The Company wishes to update the market that it does not intend to issue such shares.

As referenced in the quote from the Managing Director above, the Company notes that it is continually in discussions with various parties with respect to new venture opportunities across the asset life cycle to expand its portfolio of assets and opportunities. Such potential opportunities are not announced until such time as the Company has agreed the material commercial and legal terms with the relevant counterparty or counterparties, and customary due diligence is completed. Until the material commercial and legal terms have been agreed and due diligence completed, there can be no guarantee that such discussions, whether or not they have been disclosed, will lead to the announcement or completion of a binding agreement.

In particular, the Company notes that it has recently signed a non-binding Memorandum of Understanding (**MoU**) relating to a potential acquisition of a conventional producing oil and gas asset in the Permian Basin, Texas, USA. The key commercial terms of the potential acquisition as outlined in the non-binding MoU are for the Company to acquire a non-operating 75% working interest in the project for consideration of approximately US\$9 million as well as a further US\$1.6 million working capital fund, to be paid in cash and 88 Energy shares. The non-binding MoU contemplates that the vendor, Lonestar I LLC, will remain as Operator of the project. 2021 gross production at the project totalled approximately 110,000 BOE, with a planned work program in 2022 expected to increase production. There are no certified reserves available for the project at this stage, and the Company would expect to release certified reserves to the market on announcing a binding agreement to proceed with the acquisition, should the transaction proceed. As noted above, the Company has only entered into a non-binding MoU in relation to this potential acquisition at this stage, with due diligence advanced and final documentation nearing completion. The Company expects that the documentation will be executed

imminently. However, execution and completion of the potential transaction is not guaranteed and remains subject to all final documentation being agreed and due diligence completed. There is no guarantee that negotiations will lead to a binding agreement or a completed transaction, or that the final terms will be as set out in the non-binding MoU.

This announcement has been authorised by the Board.

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