88 ENERGY LIMITED

ABN 80 072 964 179

HALF-YEAR FINANCIAL REPORT
30 JUNE 2018

CONTENTS

CORPORATE INFORMATION

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Mr David Wall
Mr Brent Villemarette
Dr Stephen Staley

COMPANY SECRETARY
Ms Sarah Smith

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COUNTRY OF INCORPORATION AND DOMICILE
Australia

Your Directors present their report together with the interim financial report of 88 Energy Limited (the Company or 88 Energy) for the six months ended 30 June 2018 and the independent auditor's review report thereon.

DIRECTORS

The names of the Company's Directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Mr Michael Evans (Non-executive Chairman, appointed 9 April 2014)
Mr David Wall (Managing Director, appointed 15 April 2014)
Mr Brent Villemarette (Non-executive Director, appointed 27 October 2010)
Dr Stephen Staley (Non-executive Director, appointed 9 April 2014)

OPERATING AND FINANCIAL REVIEW

During the period, the Group has continued its principal activities in Alaska. A summary of significant activities is below:

Highlights for the first half of 2018:

Project Icewine

- Icewine#2 HRZ Shale Flow Test;
    - Flow testing re-commenced at the Icewine#2 well, located on the North Slope of Alaska, on June 11 to determine the productivity of the unconventional HRZ shale, utilising a velocity string and artificial lift;
    - During the period June 12 to June 30 flowback comprised;
        - Gaseous hydrocarbons ranging from C1 to trace C6, predominantly 90% methane, averaging 26mcf/day since June 12; and
        - 1,372 barrels of recovered fluid interpreted as 100% stimulation fluid.
    - Flowback fluids are not considered representative of the reservoir fluid in situ;
    - Given the low assisted flowback rate, and that in total only 24.8% of the stimulation fluid injected has been lifted during the entire 2017/2018 flowback operation, the Joint Venture decided on June 30 to suspend the Icewine#2 well; and
    - The Joint Venture believes that the flowback data, combined with results to date from core and logs, demonstrates that the HRZ is comparable to other early-stage commercial unconventional plays.
- Icewine Western Margin Leases bid on by the Company in the December 2017 State of Alaska Licensing Round were formally awarded; and
- The Icewine 3D seismic survey, approximately 480 km2 in area and covering prospectivity identified on 2D seismic, was completed on the 28th March 2018 on schedule and within budget. Processing of the Icewine 3D seismic survey commenced in Q2 2018 to mature several large conventional leads previously identified on 2D seismic.

Yukon Acreage

- Yukon Gold leases bid on by the Company in the December 2017 State of Alaska Licensing Round were formally awarded; and
- The Yukon 3D survey, approximately 100 km^2 in area, was completed on April 1 with deblending commencing in preparation for processing.

Western Blocks

- Agreement Executed to Drill High Impact Oil Prospect onshore Alaska Q12019;
    - The Company executed a binding term sheet agreement, in conjunction with other parties, to acquire the majority of Great Bear Petroleum Ventures II LLC working interest in four leases comprising the "Western Blocks" located onshore North Slope Alaska.

Corporate

- The Company refinanced the outstanding US$16.5m loan with Bank of America in the first quarter of 2018, on substantively similar terms to the original agreement and extending the maturity date to 30 December 2022;
- A total of A$8.7 million was received in from the conversion of the $0.02 88EO listed options with > 98% take-up by holders and the remainder being placed under an Option Underwriting Agreement. This total includes proceeds of >A$500,000 received from the exercise of Director options during the period; and
- Oversubscribed placement to domestic and international institutional and sophisticated investors raised A$ 17 million in the half year.

Project Icewine – Icewine#2 Flow Test

Flowback re-commenced on schedule on 11th June 2018 to clean-up stimulation fluids from the Icewine#2 borehole. As per the flowback design, nitrogen was introduced gradually to the wellbore from 13th June, prior to installation of the coiled tube velocity string, to artificially lift stimulation fluids and gain connectivity to the reservoir.

Flowback was interrupted, as per the program, on the 15th June to allow installation of the velocity string. Post installation, flowback was re-established and nitrogen introduced into the annulus between the 4.5" casing and the 1.75" velocity string. From the 18th June to the 22nd June, adjustments were made to the flowback system to determine the optimal settings for the nitrogen lift operation and, consequently, production rates. During this period, flowback rates fluctuated between an average rate of 50 barrels of water per day to 120 barrels of water per day.

The early results from the flowback were within the range of expectations; however, the rate of returned fluid decreased, despite optimised lift settings, and the timeline to achieve the targeted percentage of returned fluid increased significantly. After careful consideration, the Icewine Joint Venture decided to suspend the Icewine#2 well on 30 June 2018.

The Joint Venture believes that results from the well support the potential economic viability of the HRZ shale play and are within the range of outcomes achieved at other early stage unconventional plays, despite not achieving a flow rate that is representative of the capability of the reservoir. The suspension operation was designed to maximise flexibility for the future use of the wellbore, including the drilling of a horizontal side-track with a multi-stage stimulation.

Hydrocarbon gas content during the flowback period was predominantly methane (90%) with some heavier elements up to trace C6. Hydrocarbon rate achieved, with velocity string installed, ranged from 5 – 113 mcf/d of gas with an average of 26 mcf/d.

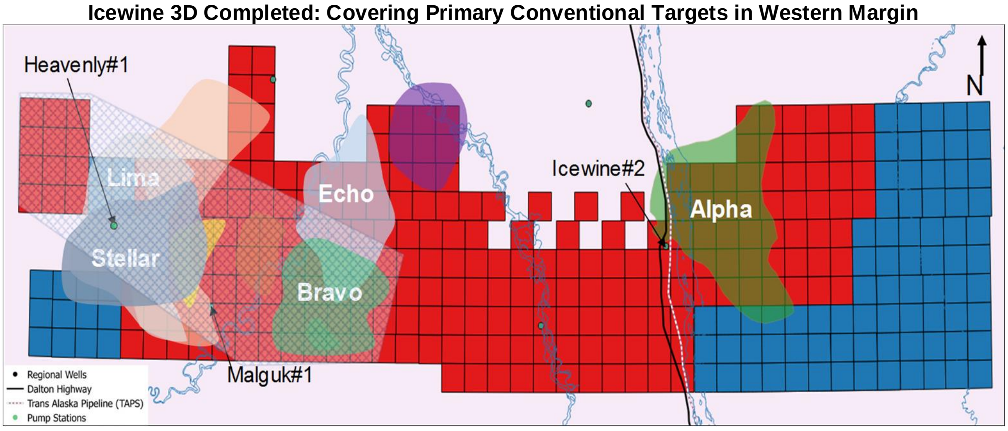
Total clean up fluid returned, (net of diesel for freeze protection and any other fluids introduced as part of the current operation), since commencement of flowback on 12th June 2018 is 1,372 barrels interpreted as 100% stimulation fluid. Total fluid returned for the entire Icewine#2 flowback operation, including last year, is 6,905 barrels or 24.8% of the frac fluid injected vs a target percentage return of at least 30%.

The Joint Venture believes that the flowback data, combined with results to date from core and logs, demonstrates that the HRZ is comparable to other early-stage commercial unconventional plays and that, as per those plays, progressing to horizontal appraisal wells is now the best use of time and money. Future evaluation of the large potential already identified is planned to be accomplished via farm-out and this process has already commenced.

Project Icewine – Icewine 3D

Acquisition of the Icewine 3D seismic survey, approximately 480 km2 in area and covering several large leads identified on 2D seismic was completed on the 28th March; processing of the 3D seismic data commenced in Q2 2018. Infield quality control, overseen by head office, has ensured that the data acquired is as clean as possible to enable fast track processing. Processing of shipments of data during early acquisition were initiated in Q2 2018 and early products, namely post stack migration, will be available in mid-2018. This will allow confirmatory mapping and maturation of the stratigraphic / structural elements of the leads already identified in the conventional prospectivity portfolio.

Icewine 3D Completed: Covering Primary Conventional Targets in Western Margin



Velocity analysis and regularization will deliver an isotropic Kirchoff pre stack time migration product. This product will be used to further analyse Vp/Vs for reservoir characterisation and where developed potential amplitude vs offset (AVO) anomalies. AVO support is often associated with the presence of hydrocarbons and was associated with some Brookian leads on the Icewine 2D survey.

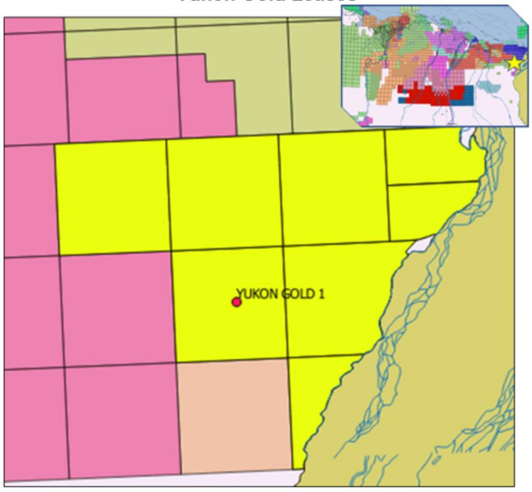
Yukon Gold 3D

During the half year, inhouse evaluation continued in relation to the recently acquired and awarded Yukon Gold leases, which contains an historic oil discovery.

In March 2018, the Company awarded a seismic contract to SAExploration to acquire ~96km2 of 3D seismic, predominantly over the Yukon Gold leases. Acquisition commenced on March 24 and was completed on April 1. The seismic data will allow for assessment of the volumetric potential of the Yukon Gold oil discovery as well as to identify and map any additional prospectivity over the broader lease position.

The Yukon 3D seismic acquisition was fast tracked to opportunistically benefit from an available seismic crew in the latter part of the 2018 acquisition season on the North Slope. Final processed products are anticipated in Q4 2018.

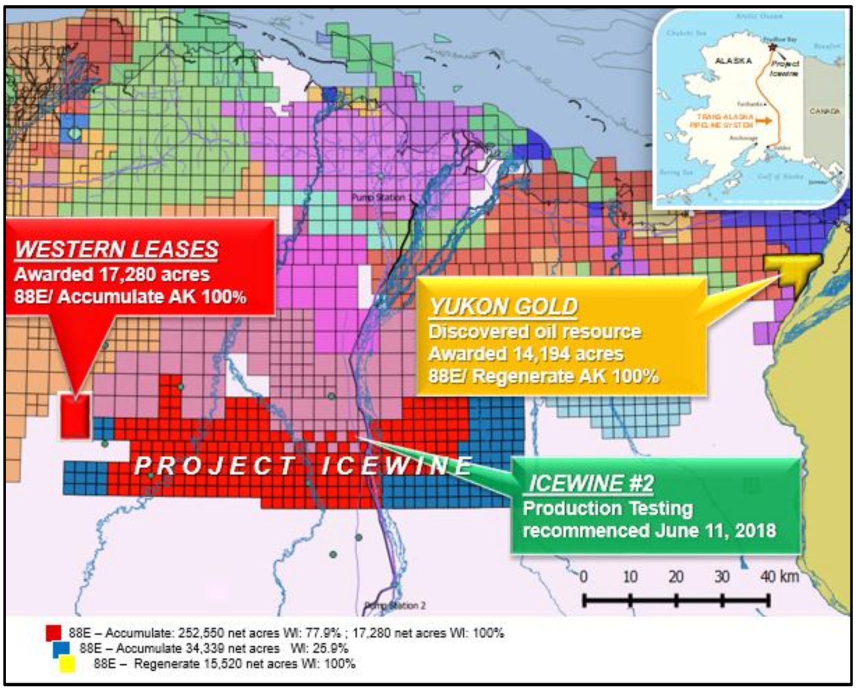
Yukon Gold Leases



Yukon Gold and Western Margin Leases Formally Awarded

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 balance of funds have been transferred to the Alaska Department of Natural Resources.

Lease Award Map



Western Blocks - Agreement Executed to Drill High Impact Oil Prospect in Q1 2019

The Company announced on 25th June, along with Otto Energy Ltd (ASX:OEL) and Red Emperor Limited (ASX/AIM:RMP), collectively the "Consortium Partners", that it had 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 and is considered an extension of the Pikka Unit to the North.

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

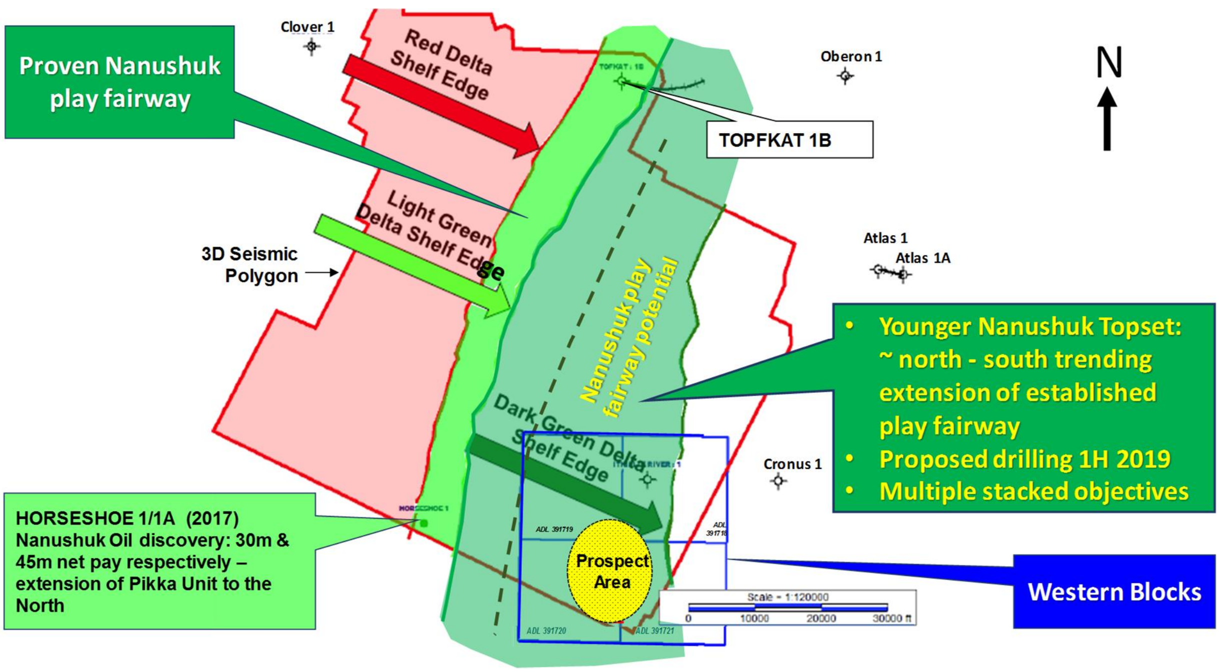
- Provide a performance bond to the State of Alaska of US$3.0 million by 31 July 2018; and
- Drill an exploration well in the Western Block leases by 31 May 2019.

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.

Technical evaluation and 3D seismic interpretation of the Western Blocks by our Consortium Partner, Otto Energy Ltd, has generated a large oil prospect in the successful Nanushuk Play, which is located approximately 4 miles east of the Horseshoe#1/1A Nanushuk oil discovery well drilled in 2017.

Western Blocks Location in Relation to Established Nanushuk Fairway



Source: modified from Otto Energy Ltd

Oversubscribed Placement Raised A$17 million

On the 2nd May, the Company announced that it had successfully completed a capital raise of A$17 million (before costs), with the placement made to domestic and international institutional and sophisticated investors through the issue of 460 million ordinary shares at A$0.037 (equivalent to £0.02) per New Ordinary Share.

Funds raised under the Placement will be used to fund the Company's ongoing evaluation of the conventional and unconventional prospectivity of the acreage, and to enable the Company to identify and exploit new opportunities on the North Slope of Alaska.

Debt Refinancing

On 23 March 2018, the Company refinanced the outstanding US$16.5 million loan with Bank of America, on substantively similar terms to the original agreement with the maturity date extended from 30 June 2018 to 30 December 2022. The exact terms of the agreement remain confidential for commercial reasons.

Concurrently, 88 Energy has agreed to assign the loan, from Bank of America to FCS Advisors, LLC (d/b/a Brevet Capital Advisors).

Option Conversions

A total of A$8.7 million gross in proceeds from option conversions was received in the first half of 2018, with A$8.0 million in proceeds coming from the conversion of the $0.02 listed options (88EO) by holders as well as the remaining options taken up under the Option Underwriting Agreement with Hartleys Limited (refer to announcement on 12 February 2018).

In addition, A$0.7 million in proceeds was received from the conversion of listed and unlisted options by Directors

Financial

For the period ended 30 June 2018 the Company recorded a loss of $3.198 million (30 June 2017: $5.97 million loss). The loss was largely attributable to general and administrative costs, finance costs and employee benefits expense, offset by the impact of exchange differences on translation of foreign operations.

No dividends were paid or declared by the Company during the period.

As at 30 June 2018, the Group had cash on hand of $15.01 million (31 December 2017: $14.014 million) which includes A$1.1 million in restricted cash held which is for JV operations, net assets of $79.6 million (31 December 2017: $55.5 million). The significant increase in net assets is largely due to the capital raising in March 2018 and the subsequent investment in expenditure on the Icewine and Yukon projects.

During the year, the Company raised approximately A$25.7 million before costs through the issue of new shares and exercise of options.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the lead auditor's independence declaration for the half-year ended 30 June 2018 has been received by the Directors and can be found on the following page. This declaration forms part of the Directors' Report.

Signed in accordance with a resolution of the Board of Directors.

Mr Michael Evans
Non-executive Chairman

Perth, 5 September 2018

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DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF 88 ENERGY LIMITED

As lead auditor for the review of 88 Energy Limited for the half-year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of 88 Energy Limited and the entities it controlled during the period.

Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 05 September 2018

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 30 JUNE 2018

	Note	30 June 2018 $	30 June 2017 $
Income	3(a)	552,980	61,679
Administration expenses	3(b)	(832,391)	(675,337)
Occupancy expenses		(24,553)	(82,100)
Employee benefit expenses	3(c)	(987,631)	(815,679)
Share based payment expense	12	-	(2,020,772)
Depreciation and amortisation expense		(23,322)	(3,473)
Finance cost		(2,110,118)	(1,727,795)
Realised/unrealised loss on foreign exchange		340,029	(619,539)
Other expenses		(113,189)	(88,271)
Loss before income tax		(3,198,195)	(5,971,287)
Income tax benefit/(expense)		-	-
Net loss attributable to members of the parent		(3,198,195)	(5,971,287)
Other comprehensive income for the period			
Other comprehensive income that may be recycled to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		2,987,322	(1,864,050)
Total comprehensive loss for the period		(210,873)	(7,835,337)
Basic and diluted loss per share (cents)		(0.001)	(0.001)

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	30 June 2018 $	31 December 2017 $
ASSETS			
Current Assets			
Cash and cash equivalents	5	15,091,675	14,014,422
Other receivables	6	392,538	357,723
Total Current Assets		15,484,213	14,372,145
Non-Current Assets			
Plant and equipment		2,957	4,575
Exploration and evaluation expenditure	7	75,349,114	46,934,162
Other assets	10	17,329,995	20,248,981
Total Non-Current Assets		92,682,066	67,187,718
TOTAL ASSETS		108,166,279	81,559,863
LIABILITIES			
Current Liabilities			
Provisions		210,616	195,865
Trade and other payables	8	6,026,558	4,667,815
Borrowings	9	-	21,164,883
Total Current Liabilities		6,237,174	26,028,563
Non-Current Liabilities			
Borrowings	9	22,313,843	-
Total Non-Current Liabilities		22,313,843	-
TOTAL LIABILITIES		28,551,017	26,028,563
NET ASSETS		79,615,262	55,531,300
EQUITY			
Issued and fully paid shares	11a	166,006,298	141,711,466
Reserves	11b	18,632,608	15,645,286
Accumulated losses		(105,023,644)	(101,825,452)
TOTAL EQUITY		79,615,262	55,531,300

The consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 30 JUNE 2018

	Issued and fully paid shares $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 January 2017	**125,157,965**	**16,268,985**	**(93,416,537)**	**48,010,413**
Loss for the period	-	-	(5,971,287)	(5,971,287)
Other comprehensive income	-	(1,864,050)	-	(1,864,050)
Total comprehensive loss for the period, net of tax	-	(1,864,050)	(5,971,287)	(7,835,337)
Shares issued during the period	17,766,774	-	-	17,766,774
Shares cancelled	-	-	-	-
Share based payments	-	2,020,772	-	2,020,772
Equity raising costs	(1,239,273)	-	-	(1,239,273)
Balance at 30 June 2017	**141,685,466**	**16,425,707**	**(99,387,824)**	**58,723,349**
Balance at 1 January 2018	**141,711,466**	**15,645,286**	**(101,825,452)**	**55,531,300**
Loss for the period	-	-	(3,198,195)	(3,198,195)
Other comprehensive income	-	2,987,322	-	2,987,322
Total comprehensive loss for the period, net of tax		2,987,322	(3,198,195)	(210,873)
Shares issued during the period	25,772,805	-	-	25,772,805
Shares cancelled	-	-	-	-
Share based payments	-	-	-	-
Equity raising costs	(1,477,973)	-	-	(1,477,973)
Balance at 30 June 2018	**166,006,298**	**18,632,608**	**(105,023,647)**	**79,615,262**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 30 JUNE 2018

	Note	30 June 2018 $	30 June 2017 $
Cash flows from operating activities			
Interest		6,000	4,976
Other Income		-	101,792
Interest Paid		(1,037,869)	-
Payments to suppliers and employees		(2,201,692)	(1,941,695)
Net cash outflows used in operating activities		(3,233,561)	(1,834,927)
Cash flows from investing activities			
Payments for exploration and evaluation activities		(20,847,096)	(15,004,914)
Contributions from JV Partners in relation to Exploration		1,592,488	6,626,363
Net cash outflows used in investing activities		(19,254,608)	(8,378,551)
Cash flows from financing activities			
Proceeds from issue of shares		25,772,793	17,636,774
Share issue costs		(1,496,000)	(1,250,296)
Payment of borrowing costs		(1,126,456)	(665,868)
Net cash inflows from financing activities		23,150,337	15,720,610
Net increase in cash and cash equivalents		662,168	5,507,133
Net foreign exchange differences		415,085	(1,256,119)
Cash and cash equivalents at beginning of period		14,014,422	27,303,178
Cash and cash equivalents at end of period	5	15,091,675	31,554,192

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1. CORPORATE INFORMATION

The consolidated financial statements of the Company for the six months ended 30 June 2018 were authorised for issue in accordance with a resolution of the Directors on 5 September 2018.

88 Energy Limited is a for-profit, limited company incorporated and domiciled in Australia whose shares are publicly traded. The principal activities of the company and its subsidiaries (the Company) are oil and gas exploration with a portfolio of exploration interests in Alaska.

2. BASIS OF PREPARATION AND CHANGES TO THE COMPANY'S ACCOUNTING POLICIES

(a) Basis of Preparation

The half year financial report for the six months ended 30 June 2018 is a general purpose financial report prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting.

The half year financial report has been prepared on a historical cost basis, except for available for sale assets, which have been measured at fair value. Unless otherwise noted, the carrying value of financial assets and liabilities as disclosed in the half year financial report approximates their fair value. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the half year financial report, the half-year has been treated as a discrete reporting period.

The accounting policies adopted in the preparation of the half year financial report are consistent with those followed in the preparation of the Company's annual financial report for the year ended 31 December 2017 with the exception of the adoption of the new accounting standards as noted below.

The half year financial report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2017, together with any public announcements made during the period.

(b) Adoption of new and revised accounting standards

In the half year ended 30 June 2018, the directors have adopted all new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective from 1 January 2018.

- The adoption of new standard AASB 9 Financial Instruments has no material impact on the group accounts for the half year ended 30 June 2018.
- The adoption of new standard AASB 15 Revenue from Contracts with Customers has no impact on the group accounts for the half year ended 30 June 2018.
- The adoption on new standard AASB 16 Leases has resulted in a Right of Use Asset for Lease on Premises being recognised on the Balance Sheet. This is not material at 30 June 2018.

AASB 9 Financial Instruments – Impact of Adoption

Impairment of financial assets

The Group's financial assets subject to AASB 9's new expected credit loss model are cash and tax receivables, which arise from the group operations.

The impact of the impairment requirements of AASB 9 on cash and cash equivalents has not resulted in a material impact to the financial statements.

Under AASB 9, the Group was required to revise the impairment methodology used in the calculation of its provision for doubtful debts to the expected credit loss model. This change in methodology has not had a material impact on the financial statements. The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure or a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

AASB 9 Financial Instruments – Accounting Policies Applied from 1 January 2018

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on how the Group manages the financial assets and the contractual terms of the cashflows. At half year end, all of the Group's financial assets have been classified as those to be measured at amortised cost.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Impairment

From 1 January 2018, the Group assesses expected credit losses associated on a forward looking basis. For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Other than noted above, it has been determined by the directors that there is no material impact of the new and revised Standards and Interpretations on the company and, therefore, no change is necessary to Group accounting policies.

(c) Significant Judgements and Estimates – AASB 9 Impairment of Financial Assets

In addition to significant estimates and judgements disclosed in the 2017 annual report, we note the following;

As at 30 June 2018, the Group had a tax credit receivable of US$15.5 million (A$20.0 million) from the State of Alaska, which has a fair value in the Statement of Financial Position of A$17.9 million. As at the reporting date, management have considered whether there is any objective evidence as to whether there are any indicators of impairment in accordance with AASB 9 Financial Instruments and believe this amount will be recoverable from the Alaskan DOR as a tax rebate in full based on the current legislative arrangements in Alaska. The timing and extent of payments is expected to vary however it is anticipated that all amounts will be received on or before 2024. The accretion of the receivable will be recognised as finance income.

(d) Going concern

As at 30 June 2018, the Group had working capital of $9,247,039 (current assets less current liabilities) with cash on hand of $15,091,675 and a comprehensive net loss of $(210,873) with cash out flow from operating activities for the half-year of $(3,233,561).

Of note during the half-year ended 30 June 2018 the debt facility was renegotiated (refer to ASX release dated 26th of March 2018) and is now due to expire on 30 December 2022, as well as the Group raised over $25 million from a placement to sophisticated and institutional investors as well as from option conversions.

The Directors are satisfied the Group is a going concern and therefore have prepared the financial statements on the basis the Group will continue to meet its commitments and can therefore continue normal business activities and realise its assets and settle liabilities in the normal course of business.

	30 June 2018 $	30 June 2017 $
3. INCOME AND EXPENSES		
(a) Other Income		
Interest Income	5,858	4,509
Other income	-	57,170
Other finance income*	547,122	-
	552,980	61,679

**Unwinding of the effect of present value discounting of tax receivable*

	30 June 2018 $	30 June 2017 $
(b) Corporate & Administrative expenses		
Consultancy and professional fees	267,440	434,707
Legal fees	48,379	25,018
Marketing and administration expenses	499,292	201,771
Other costs	17,280	13,841
	832,391	675,337
(c) Employee benefit expenses		
Wages and salaries	932,932	693,907
Superannuation	51,222	57,304
Annual leave expense	14,751	45,431
Other employee expenses	(11,274)	19,037
	987,631	815,679

4. SEGMENT INFORMATION

Identification of reportable segments

For management purposes during the period ended 30 June 2018 the Company was organised into the following strategic unit:

- Oil and Gas exploration in Alaska, USA.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

The Board of Directors review internal management reports on a periodic basis that is consistent with the information provided in the statement of profit or loss and other comprehensive income, statement of financial position and statement of cash flows. As a result no reconciliation is required, because the information as presented is used by the Board to make strategic decisions.

Management has determined, based on the reports reviewed by the Board of Directors and used to make strategic decisions, that the Group has one reportable segment being Oil & Gas Exploration in Alaska, USA. Such structural organisation is determined by the nature of risks and returns associated with each business segment and define the management structure as well as the internal reporting system.

	30 June 2018 $	31 December 2017 $

5. RECONCILIATION OF CASH

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	30 June 2018 $	31 December 2017 $
Cash at bank and in hand (i)	15,091,675	14,014,422
	15,091,675	14,014,422

(i) As per the Directors Report $1.1m is restricted for the JV Operations

6. OTHER RECEIVABLES

	30 June 2018 $	31 December 2017 $
Goods and Services Tax (GST) receivable	122,377	45,651
Other deposits and receivables	270,161	312,072
	392,538	357,723

(a) Allowance for impairment loss

Receivables past due but not considered impaired are nil (2017: Nil).

7. EXPLORATION EXPENDITURE

	30 June 2018 $	31 December 2017 $
Capitalised expenditure at the beginning of the period	46,934,162	38,227,059
Additions	20,735,878	22,583,765
Tax credit receivable (i)(ii)	4,680,292	(11,886,087)
Foreign currency translation	2,998,782	(1,990,575)
Closing balance	75,349,114	46,934,162

(i) Tax credit certificates issued in 2017. This amount has been offset against capitalised Exploration and Evaluation Expenditure and recognised within Trade and Other Receivables. The amount when paid by the Alaskan Government will be applied directly against the Brevet loan outstanding.

(ii) Movement in 2018 relates to the fair value adjustment of the tax credit receivable. The full value of the tax credit receivable remains classified as a receivable.

8. TRADE AND OTHER PAYABLES

	30 June 2018 $	31 December 2017 $
Trade payables (i)	1,286,185	123,320
Other payables (ii)	4,740,373	4,544,495
	6,026,558	4,667,815

(i) Trade payables are non-interest bearing and are normally settled on 60 day terms.

(ii) On 29 May 2015, the Company received notification that the Moroccan Minister for Energy and Minister for Finance had executed the assignment document, finalising the divestment of the interests of DVM International SARL (“DVM”, 88 Energy’s subsidiary in Morocco) in the Tarfaya Offshore Block. A liability of the Company remains subject to the market capitalisation of 88 Energy reaching a determined level before September 2021 which would trigger a potential liability of the Company of US$3.4m in cash or 88 Energy stock.

9. BORROWINGS

	30 June 2018 $	31 December 2017 $
Current		
Bank facility (i) (ii)	-	21,164,883
	-	21,164,883
Non-Current		
Bank Facility (ii)	22,313,843	-
	22,313,843	-

(i) On 20 August 2015, 88 Energy Limited entered into a credit agreement ("the Facility") with Bank of America. The Facility expires 29 June 2018. The Facility contains financial covenants which have been met. As at 30 June, US$17.71 million has been drawn down under the Facility. Borrowings are secured by available Production Tax Credits and Accumulate and Burgundy acreage.

(ii) On 23 March 2018, 88 Energy Limited refinanced the Facility and entered into a credit agreement with FCS Advisors, LLC (d/b/a Brevet Capital Advisors). The Facility expires Dec 2022. The Facility contains financial covenants which have been met. As at 30 June, US$16.50 (A$22.31) million has been drawn down under the Facility. Borrowings are secured by available Production Tax Credits and Accumulate and Burgundy acreage.

10. OTHER NON-CURRENT ASSETS

	30 June 2018 $	31 December 2017 $
ROU Asset – Lease 5 Ord St	82,480	-
North Slope Bid Round Deposit	-	353,581
Tax credit receivable (i)	16,842,274	19,895,400
Investments	405,241	-
	17,329,995	20,248,981

(i) The Alaskan Government has approved a tax credit of A$20.97 million as at 30 June 2018 (US$15.50 million). This amount has been fair valued as at 30 June 2018 to A$17.9 million and recognised as an offset against Exploration & Evaluation capitalised and recognised above within Other Non-Current Assets. The amount paid will be directly applied against the outstanding loan with Brevet. Refer to Significant Judgements & Estimates (2c) above.

11. CONTRIBUTED EQUITY AND RESERVES

	30 June 2018 $	31 December 2017 $
(a) Ordinary shares fully paid		
Ordinary shares	166,006,298	141,711,466

	Number of shares	30 June 2018 $
Balance at 1 January 2018	4,649,763,932	141,711,466
Options exercised with expiry 2nd March 0.02 cents (i)	402,389,651	8,047,793
Options exercised with expiry 2nd March 0.015 cents (i)	44,999,999	675,000
Placement of 460,811,112 ordinary shares at $0.037	460,811,112	17,050,011
Less: equity raising costs		(1,477,973)
Issued and fully paid shares at 30 June 2018	5,557,964,694	166,006,298

(i) Options with expiry 2nd March were exercised between 6th February 2018 and 14th March 2018.

11. CONTRIBUTED EQUITY AND RESERVES (Continued)

(b) Reserves

	30 June 2018 $	31 December 2017 $
Share-based payments	17,465,639	17,465,639
Foreign currency translation reserve	1,166,969	(1,820,353)
	18,632,608	15,645,286

Movement in share-based payment reserve

At 1 January 2018	17,465,639
Share based payments granted during the period	-
Balance at 30 June 2018	17,465,639

Movement in foreign currency reserve

At 1 January 2018	(1,820,353)
Foreign currency translation	2,987,322
Balance at 30 June 2018	1,166,969

Share-based payment reserve

The share-based payment reserve is used to record the value of share-based payments provided to outside parties, and share-based remuneration provided to employees and directors. Refer to Note 12 for further details.

Foreign currency translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

12. SHARE BASED PAYMENTS

Share-based payment transactions recognised during the period were as follows:

	30 June 2018 $	30 June 2017 $
Options issued to Directors (i)	-	673,591
Options issued to employees (i)	-	1,347,181
	-	2,020,772

(i) Options issued to Directors and employees

No options were granted in the half-year ended 30 June 2018.

During the half-year ended 30 June 2017 the Company granted 90 million options to Directors and employees (as agreed by shareholders in the Annual General Meeting on 9 March 2017), which have vested and have an exercise price of $0.06, with expiry on 14 March 2020. The fair value of these shares was treated as a share-based payment expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. The fair value per option was calculated using the market price of listed shares at grant date ($0.038). The total value of options issued was $2,020,772. The following inputs were use in the Black Scholes valuation model; Expected Volatility 110%, Risk-free interest rate 2.14% Time to expiry 3 years, underlying security spot price at issue $0.038.

13. EVENTS AFTER THE REPORTING DATE

The following events occurred subsequent to the period end;

- The Company, via its 100% owned subsidiary Captivate Energy Alaska, Inc, on 30 July 2018 announced execution of definitive agreements with Great Bear Petroleum Ventures II LLC ("Great Bear"), along with Otto Energy Ltd (Borealis) and Red Emperor Resources NL (together with 88 Energy, the "Consortium Partners"), 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) in exchange for drilling a commitment well on the Western Blocks prior to 30 May 2019; and
- The State of Alaska approved an additional tax credit certificate of US$5.7 million in July 2018, of which US$2.8 million was applied for to be cashed out. The total amount applied for to be cashed out totals $18.3 million as at the date of this report which will be applied against debt outstanding of US$16.5 million

There were no other subsequent events.

14. COMMITMENTS AND CONTINGENCIES

As at 30 June 2018 there have been no material changes to commitments since 31 December 2017. There were no contingent liabilities as at 30 June 2018.

15. RELATED PARTY TRANSACTIONS

The terms and conditions of transactions with Directors and Executives and their related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to Non-Director related entities on an arm's length basis.

Related party transactions similar to those described in the 31 December 2017 Annual Report continued during the period.

16. FAIR VALUE MEASUREMENT

The management assessed that the carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective fair values largely due to the short-term maturities of these instruments. The carrying amounts are determined in accordance with accounting policies disclosed in Note 2.

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(i) Level 1 – the instrument has quoted prices (unadjusted) in active markets for identical assets and liabilities;
(ii) Level 2 – a valuation technique using inputs other than quoted prices within Level 1 that are observable for the financial instrument, either directly (i.e. prices), or indirectly (i.e. derived from prices); or
(iii) Level 3 – a valuation technique using inputs that are not based on observable market data (unobservable inputs).

The Group has recorded the Tax Credit Receivable (in Note 10) at Fair Value at a Level 1 measurement using market interest rate.

The Group does not have any level 2 or 3 assets or liabilities.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of 88 Energy Limited, I state that:

In the opinion of the directors:

(a) The financial statements and notes of 88 Energy Limited for the half year ended 30 June 2018 are in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the half year ended on that date; and

   ii. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

(b) Subject to note 2(d), there are reasonable grounds to believe that the Company will be able to pay its debts as when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Mr Michael Evans
Non-executive Chairman

Perth, 5 September 2018

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of 88 Energy Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of 88 Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch

Director

Perth, 5 September 2018