88 ENERGY LIMITED

ABN 80 072 964 179

HALF-YEAR FINANCIAL REPORT
30 JUNE 2019

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CORPORATE INFORMATION

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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 2019 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)
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 2019:

Project Icewine

- Project Icewine Conventional;
    - The Conventional farm-out campaign continued in the half-year, with the deadline for bids extended to end January 2019 due to demand from multiple parties;
    - After consideration, a preferred bidder was selected by the Company in March 2019 with the third-party due diligence process and negotiation of terms and conditions completed in Q2 2019;
    - Farminee internal approvals were complete prior to the end of June 2019 for the proposed conventional portfolio farm-out deal; and
    - Subsequent to period end an Exclusivity Agreement was executed with the preferred bidder to facilitate near term operational activity whilst final terms were agreed on the proposed farmout agreement, with execution of the Farm-out completed and announced on 23 August 2019.
- Project Icewine Unconventional;
    - Advanced FIB-SEM and HAWK analysis was undertaken in the half-year which significantly advanced the understanding of the HRZ shale play, with the following noted;
    - The majority of acreage remains within revised prospectivity fairway;
    - Additional application of FIB-SEM underway to validate fairway revision; and
    - Franklin Bluffs (Icewine#2 location) considered to be marginally outside revised fairway.

Yukon Acreage

- Processing of the Yukon 3D interpretation and resource evaluation on the inversion product was completed in the half-year; and
- Discussions were underway with nearby resource owners to optimise monetisation strategy to the acreage.

Western Blocks

- Winx-1 Exploration well;
    - The Permit to Drill for the Winx-1 exploration well was approved by the Alaska Oil and Gas Conservation Commission (AOGCC) in January, with the Winx-1 exploration well spudded on schedule on 15th February;
    - Total Depth of 6,800' was reached on the 3rd March 2019, having intersected all targets, including the primary Nanushuk Formation Topset objective;
    - Petrophysical analysis of the wireline logging program indicated low oil saturations in both the primary Nanushuk Topset objectives and the Torok objective, with testing and fluid sampling indicating that reservoir quality and fluid mobility at this location are considered insufficient to warrant production testing; and
    - The Winx-1 well was successfully plugged and abandoned on the 18th March, 2019, with the Nordic#3 rig and associated services were fully demobilised prior to the end of Q1 2019. Drilling operations were completed on time and without incident, and under budget.

PROJECT ICEWINE

Project Icewine Conventional

A fast track farm-out campaign commenced in August 2018, whilst processing of newly acquired 3D seismic (March 2018) was still underway. Processing was finalised in October 2018, including inversion, marking the first time that potential farminees could comprehensively assess the mapped conventional resource potential on the Western Play Fairway at Project Icewine. Consequently, requests were made by potential farminees for more time to evaluate the opportunity, which the Company granted.

The farm-out process progressed to the next stage at the end of Q1 2019 with a preferred bidder selected and negotiations and indicative terms agreed and due diligence completed in Q2 2019. The Company was advised by the preferred bidder in June 2019 that Board approval and other required internal approvals had been secured. The Company advised at half-year that the parties will quickly move to agree to document and finalise terms and close the transaction in July 2019. Subsequent to half-year 2019, the Company advised that it had executed an Exclusivity Agreement executed with the preferred bidder to facilitate near term operational activity whilst final terms are agreed on the proposed farmout agreement, with the Company announcing execution of the Farm-out Agreement with Premier Oil Plc of the United Kingdom on 22 August 2019, with the farm-in to occur over multiple stages beginning with Premier acquiring a 60% interest in return for the drilling of 1 exploration well in Area A of Project Icewine in the first quarter of 2020.

Project Icewine Unconventional

Baker Hughes and the United States Geological Society (USGS) continue to apply advanced evaluation techniques to the HRZ shale play, including additional tests on both core and cuttings obtained from the drilling of the Icewine-1 and Icewine-2 wells.

Finalisation of advanced analysis using state-of-the-art technology has significantly advanced the Joint Venture understanding of the nature of the HRZ play. This analysis has confirmed that the HRZ is an excellent source rock with good potential as an economic shale play.

The nature of the dominant kerogen in the HRZ has been demonstrated to be prone to more rapid transformation into hydrocarbons than other shales initially used for comparison. This means that the thermal maturity window for volatile oil in the HRZ is at lower temperature than that typically seen in other plays. As a result, the Franklin Bluffs location (where both Icewine wells were drilled) is considered to be just outside the fairway. The kerogen in the HRZ at Franklin Bluffs has been converted largely to solid bitumen, with sub optimal intraparticle porosity and connectivity. The total porosity of the formation remains excellent – the effective kerogen porosity (pathways between the particles that contain the hydrocarbon); however, is lower than ideal. At slightly lower thermal maturity, it is prognosed that porosity/connectivity will be significantly improved.

The expansive leasing strategy employed by the Joint Venture means that the majority of the revised fairway for the play remains captured within the Project Icewine leasehold, with greater than 50% of the acres under lease considered prospective.

The forward program consists of accessing material from regional wells in order to conduct additional FIB-SEM analysis to confirm improved effective porosity and connectivity. Consequently, the formal farm-out process will be deferred until 2H 2019 to allow for this work to be completed. The Joint Venture continues to field unsolicited third party interest in the HRZ shale play and an informal farm-out process is underway.

The Company continues to receive third party interest in the HRZ shale project and anticipates being able to integrate the data from the current evaluation into a dataroom by mid-2019 in order to commence a formal farm-out process.

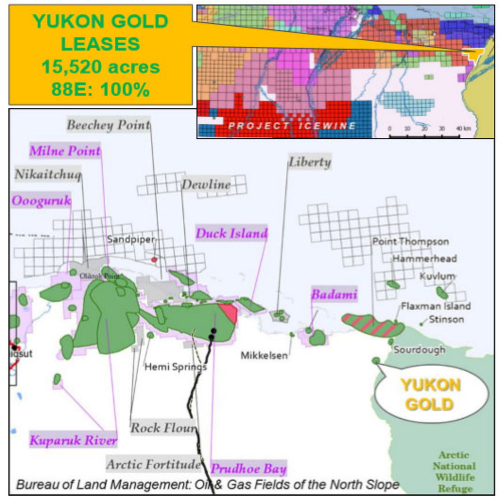
Purchase of Outstanding Tax Credits and an Additional Tax Credit Certificate Granted

On the 9th of January 2019 the Alaskan Department of Revenue ("DoR") informed the Company of the purchase of US$1.57m (A$2.2m) in tax credits, with the funds received directly applied against the Brevet debt facility. Debt outstanding at half-year ended 30 June 2019 totalled US$15.5 m (A$22.3m). Further, on the 26 March 2019, the Company was informed by the Alaska DoR that it had issued a Credit Certificate to Accumulate Energy Alaska Inc., (100% owned subsidiary of 88 Energy Ltd), for US$2.35m (A$3.4m) related to CY2016 2D seismic expenditure. The total expected cashable credits owed by the State to 88E at quarter end was US$19.1 m (A$27.3m), which is far in excess of debt outstanding of US$15.5m (A$22.3m).

YUKON LEASES

The Yukon 3D interpretation and resource evaluation was completed in the half-year on the inversion product.

Discussions have been initiated by the Company with nearby lease owners to optimise the monetisation strategy for existing discovered resources located in the vicinity of the Yukon Leases. The Yukon Leases contain the 86 million barrel Cascade Prospect#, which was intersected peripherally by Yukon Gold 1, drilled in 1994, and classified as an historic oil discovery. 88 Energy recently acquired 3D seismic (2018) over Cascade and, on final processing and interpretation, high-graded it from a lead to a drillable prospect. The Yukon Leases are located adjacent to ANWR and in close proximity to recently commissioned infrastructure.



 # Refer announcement 7th November 2018

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..

WESTERN BLOCKS

Winx-1 Exploration Well

The Permit to Drill for the Winx-1 exploration well was approved by the Alaska Oil and Gas Conservation Commission (AOGCC) on the 16th January 2019, and with the completion of the construction of the ~11 mile ice road in late January the Nordic#3 rig was mobilised and arrived at the drill site location as planned on the 7th February. Spud of the Winx-1 exploration well occurred on schedule on 15th February 2019, with the well intersecting all the of the pre-drill targets safely and efficiently. Total Depth of 6,800' was reached on the 3rd March 2019, with multiple potential pay zones identified in the Nanushuk Formation Topset Play (primary targets) and Torok Formation (secondary targets).

The Winx-1 well was plugged and abandoned on the 18th March 2019, with the rig and associated services fully demobilised prior to the end of the quarter. Drilling operations were completed on time and without incident, and under budget

Petrophysical interpretation of the LWD data at Winx-1 indicated elevated resistivities associated with increased mud gas ratios (C1 – C5) in the distinctive Nanushuk Topset sequence, comparable with other successful neighbouring wells in the Nanushuk play fairway. Early indications were encouraging and, on this basis, a comprehensive wireline program was undertaken to further evaluate the interval of interest.

The wireline program was designed to fully evaluate and quantify the reservoir potential and associated shows in the Nanushuk Topsets. The suite comprised specialist logging tools capable of quantifying laminated pay zones, including nuclear magnetic resonance; a triaxial induction tool that measures both horizontal and vertical resistivity, and an MDT program to determine pressure gradients and sample fluids from the zones of interest.

Wireline results indicate low oil saturations in the Nanushuk Topsets not conducive to successfully flowing the formation, as borne out by the MDT sampling results, which did not retrieve hydrocarbon samples. Reservoir properties appear to be compromised by dispersed clay in the matrix at Winx-1. This clay is often present in other successful Nanushuk wells but in discrete laminations with decent quality, high resistivity, oil saturated sandstones in between. The dispersed clay in the Nanushuk at Winx impacts both fluid mobility and oil saturations. The clay serves to bind much of the fluid present in place so that it cannot flow. It also occupies pore space within the formation, resulting in a lower relative hydrocarbon saturation. This means that, whilst oil is present in the reservoir, there is less of it and it is not mobile. Further evaluation will be undertaken post drill to fully understand the implications of the petrophysical results

The reservoir performance in the Torok Channel Sequence was better than the Nanushuk in the Winx-1 well, as evidenced by relatively faster influx of fluid during MDT sampling. On completion of the wireline logging program it is apparent that the oil saturations in the Torok zone of interest are also low and not conducive to hydrocarbon flow. The oil saturations are evidence of an active petroleum system / charge and further work is required to determine whether there is an effective trapping mechanism at this location or elsewhere on the leases.

Performance Bond

In consideration for acquiring a working interest from Great Bear Petroleum in the Western Blocks the Company, and Consortium partners, provided a US$3.0 million (A$4.2 million) Performance Bond to the State of Alaska in July 2018 as part of the commitment to drilling an exploration well by 31 May 2019.

On satisfying the requirement of drilling an exploration well on the acreage 88 Energy have earnt the rights to a 36% working interest on the acreage. Well data was submitted to the Department of Natural Resources, Division of Oil and Gas in March 2019 to initiate the release of the US$3.0 million (A$4.2 million)performance bond, (US$1.2 million (A$1.7 million) net to 88E), which was refunded in full in May 2019.

Forward Plan

The forward plan is to further evaluate and integrate the valuable data acquired at Winx-1, reprocess the Nanuq 3D seismic (2004) in order to evaluate the remaining prospectivity on the Western Leases including the Nanushuk Fairway potential.

FINANCIAL

For the period ended 30 June 2019 the Company recorded a loss of $29.325 million (30 June 2018: $3.198 million loss). The loss was largely attributable to the impairment of the Winx-1, Icewine-1 and Icewine-2 exploration wells during the half-year, together with general and administrative costs, finance costs and employee benefits expense.

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

As at 30 June 2019, the Group had cash on hand of $6.7 million (31 December 2018: $21.7 million) which includes A$0.4 million in restricted cash held which is for JV operations, net assets of $65 million (31 December 2018: $94.1 million). The significant decrease in net assets is largely due to the impairment of the exploration wells noted above.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the lead auditor's independence declaration for the half-year ended 30 June 2019 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, 13 September 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 30 JUNE 2019

	Note	30 June 2019 $	30 June 2018 $
Income	3(a)	**2,058,773**	552,980
Administration expenses	3(b)	**(78,550)**	(832,391)
Occupancy expenses		**(21,430)**	(24,553)
Employee benefit expenses	3(c)	**(843,745)**	(987,631)
Share based payment expense	13	**(53,924)**	-
Depreciation and amortisation expense		**(28,618)**	(23,322)
Finance cost		**(1,544,969)**	(2,110,118)
Realised/unrealised gain on foreign exchange		**15,028**	340,029
Other expenses	3(d)	**(28,827,806)**	(113,189)
Loss before income tax		**(29,325,241)**	(3,198,195)
Income tax benefit/(expense)		**-**	-
Net loss attributable to members of the parent		**(29,325,241)**	(3,198,195)
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		**172,919**	2,987,322
Total comprehensive loss for the period		**(29,152,322)**	(210,873)
Basic and diluted loss per share		**(0.005)**	(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 2019

	Note	30 June 2019 $	31 December 2018 $
ASSETS			
Current Assets			
Cash and cash equivalents	5	**6,674,076**	21,722,211
Other receivables	6	**326,480**	2,101,501
Total Current Assets		**7,000,556**	23,823,712
Non-Current Assets			
Plant and equipment		**11,658**	11,172
Exploration and evaluation expenditure	7	**60,678,988**	76,983,981
Other assets	8	**26,231,771**	22,977,103
Total Non-Current Assets		**86,922,417**	99,972,256
TOTAL ASSETS		**93,922,973**	123,795,968
LIABILITIES			
Current Liabilities			
Provisions	10	**527,681**	255,353
Trade and other payables	9	**6,072,895**	6,001,949
Total Current Liabilities		**6,600,576**	6,257,302
Non-Current Liabilities			
Borrowings	11	**22,306,600**	23,424,471
Total Non-Current Liabilities		**22,306,600**	23,424,471
TOTAL LIABILITIES		**28,907,176**	29,681,773
NET ASSETS		**65,015,797**	94,114,195
EQUITY			
Contributed Equity	12(a)	**179,304,850**	179,304,850
Reserves	12(b)	**22,855,233**	22,628,390
Accumulated losses		**(137,144,286)**	(107,819,045)
TOTAL EQUITY		**65,015,797**	94,114,195

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 2019

	Contributed Equity $	Reserves $	Accumulated losses $	Total equity $
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
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**
Balance at 1 January 2019	**179,304,850**	**22,628,390**	**(107,819,045)**	**94,114,195**
Loss for the period	-	-	(29,325,241)	(29,325,241)
Other comprehensive income	-	172,919	-	172,919
Total comprehensive loss for the period, net of tax	-	172,919	(29,325,241)	(29,152,322)
Share based payments	-	53,924	-	53,924
Balance at 30 June 2019	**179,304,850**	**22,855,233**	**(137,144,286)**	**65,015,797**

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 30 JUNE 2019

	Note	30 June 2019 $	30 June 2018 $
Cash flows from operating activities			
Interest		**19,532**	6,000
Interest Paid		**(1,198,562)**	(1,037,869)
Payments to suppliers and employees		**(1,369,467)**	(2,201,692)
Net cash outflows used in operating activities		**(2,548,497)**	(3,233,561)
Cash flows from investing activities			
Payments for exploration and evaluation activities		**(21,147,306)**	(20,847,096)
Contributions from JV Partners in relation to Exploration		**8,600,245**	1,592,488
Net cash outflows used in investing activities		**(12,547,061)**	(19,254,608)
Cash flows from financing activities			
Proceeds from issue of shares		**-**	25,772,793
Share issue costs		**-**	(1,496,000)
Payment of borrowing costs		**-**	(1,126,456)
Net cash inflows from financing activities		**-**	23,150,337
Net increase/(decrease) in cash and cash equivalents		**(15,095,557)**	662,168
Net foreign exchange differences		**47,422**	415,085
Cash and cash equivalents at beginning of period		**21,722,211**	14,014,422
Cash and cash equivalents at end of period	5	**6,674,076**	15,091,675

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 2019 were authorised for issue in accordance with a resolution of the Directors on 13 September 2019.

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 2019 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 2018.

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 2018, together with any public announcements made during the period.

(b) Adoption of new and revised accounting standards

In the prior period, the directors adopted all the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective from 1 January 2018.

- AASB 9 Financial Instruments.
- AASB 15 Revenue from Contracts.
- AASB 16 Leases.

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

In addition to significant estimates and judgements disclosed in the 2018 annual report, we note the following;

As at 30 June 2019, the Group had a tax credit receivable of US$19.1 million (A$27.3 million) from the State of Alaska, which has a fair value in the Statement of Financial Position of A$25.7 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 cash 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 2021. The accretion of the receivable will be recognised as finance income.

(d) Going concern

As at 30 June 2019, the Group had working capital of ($399,980) (current assets less current liabilities) with cash on hand of $6,674,076 and a comprehensive net loss of ($29,152,322) with cash out flow from operating activities for the half-year of ($2,548,497).

The Directors are confident of the ability of the Group to manage its working capital requirements, or raise funding through various other alternatives including:

-Raising funds through issue of new shares;
-Sale of Alaskan Tax Credits to a third party which would lower debt and interest commitments; and
-Managing the Company's working capital requirements.

These circumstances led to management assessing the entity's ability to continue as a going concern. See Note 14 for further information supporting this position.

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 2019 $	30 June 2018 $
3. INCOME AND EXPENSES		
(a) Other Income		
Interest Income	**16,638**	5,858
Other finance income*	**2,042,135**	547,122
**Unwinding of the effect of present value discounting of tax receivable*	**2,058,773**	552,980
(b) Corporate & Administrative expenses		
Consultancy and professional fees	**125,861**	267,440
Legal fees	**7,062**	48,379
General and administration expenses	**(95,036)**	499,292
Travel	**40,663**	17,280
	78,550	832,391
(c) Employee benefit expenses		
Wages and salaries	**718,609**	932,932
Superannuation	**45,417**	51,222
Annual leave expense	**50,873**	14,751
Other employee expenses	**28,846**	(11,274)
	843,745	987,631
(d) Other expenses		
Impairment expense – Icewine & Winx	**28,767,174**	-
Other expenses	**60,632**	113,189
	28,827,806	113,189

4. SEGMENT INFORMATION

Identification of reportable segments

For management purposes during the period ended 30 June 2019 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 2019 $	31 December 2018 $
5. RECONCILIATION OF CASH		
For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:		
Cash at bank and in hand [(i)]	**6,674,076**	21,722,211
	6,674,076	21,722,211

(i) As per the Directors' Report $0.4m is restricted for the JV Operations.

6. OTHER RECEIVABLES

	30 June 2019 $	31 December 2018 $
Goods and Services Tax (GST) receivable	**26,400**	116,249
Other deposits and receivables	**300,080**	1,985,252
	326,480	2,101,501

(a) Allowance for expected credit loss

Receivables past due but not considered impaired are nil (2018: Nil).

7. EXPLORATION & EVALUATION EXPENDITURE

	30 June 2019 $	31 December 2018 $
Capitalised expenditure at the beginning of the period	**76,983,981**	46,934,162
Additions	**15,161,364**	24,093,718
Less Impairment – Icewine & WINX	**(28,545,718)**	-
Tax credit receivable [(i)]	**(3,351,469)**	899,716
Foreign currency translation	**430,831**	5,056,385
Closing balance	**60,678,988**	76,983,981

(i) Movement in 2019 relates to the approval of an Alaskan tax credit receivable (s43.55.025).

	30 June 2019 $	31 December 2018 $
8. OTHER NON-CURRENT ASSETS		
ROU Asset – Lease 5 Ord St	**30,388**	56,434
North Slope Bid Round Deposit	**29,909**	29,743
Tax credit receivable (i)	**25,743,697**	22,464,515
Investments	**427,777**	425,411
	26,231,771	22,977,103

(i) The Alaskan Government has approved tax credits of A$27.3 million as at 30 June 2019 (US$19.1 million). This amount has been fair valued as at 30 June 2019 to A$25.7 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.

9. TRADE AND OTHER PAYABLES		
Trade payables	**1,091,301**	403,935
Other payables	**4,981,594**	5,598,014
	6,072,895	6,001,949
10. PROVISIONS		
Annual Leave	**270,458**	226,584
Long Service Leave	**35,768**	28,769
Provision for Abandonment	**221,455**	-
	527,681	255,353
11. BORROWINGS		
Non-Current		
Bank Facility (i)	**22,306,600**	23,424,471
	22,306,600	23,424,471

(i) 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 2019, US$15.5 (A$22.3) million was outstanding under the Facility. Borrowings are secured by available Production Tax Credits and Accumulate and Burgundy acreage.

12. CONTRIBUTED EQUITY AND RESERVES

(a) Ordinary shares fully paid

	30 June 2019	31 December 2018
Ordinary shares	**179,304,850**	**179,304,850**

	Number of shares	30 June 2019 $
Balance at 1 January 2019	**6,331,540,324**	**179,304,850**
Issued and fully paid shares at 30 June 2019	**6,331,540,324**	**179,304,850**

(b) Reserves

	30 June 2019 $	31 December 2018 $
Share-based payments	**17,541,313**	17,487,389
Foreign currency translation reserve	**5,313,920**	5,141,001
	22,855,233	22,628,390
<u>Movement reconciliation</u>		
Share-based payments reserve		
Balance at the beginning of the year	**17,487,389**	17,465,639
Equity settled share-based payment transactions (Note 13)	**53,924**	21,750
Balance at the end of the year	**17,541,313**	17,487,389
Foreign currency translation reserve		
Balance at the beginning of the year	**5,141,001**	(1,820,353)
Effect of translation of foreign currency operations to group presentation	**172,919**	6,961,354
Balance at the end of the year	**5,313,920**	5,141,001

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 13 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.

13. SHARE BASED PAYMENTS

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

	30 June 2019 $	30 June 2018 $
Options issued to Directors	**22,219**	-
Options issued to employees	**31,705**	-
	53,924	-

No options were granted in the half-year ended 30 June 2019.

14. EVENTS AFTER THE PERIOD END

The following events occurred subsequent to the period end;

- On 6 August 2019 the Company announced the execution of an Exclusivity Agreement with the preferred bidder to facilitate near term operational activity whilst final terms are agreed on the proposed farmout agreement. Exclusivity was granted by the JV Parties until 31 August 2019, with customary exclusivity undertakings and a US$500,000 payment (the "Exclusivity Fee") by the preferred bidder to the JV Parties to facilitate incurring of initial agreed costs associated with the 2020 drilling program. The Exclusivity Fee was non-refundable unless the farmout agreement is not finalised owing to an act or omission of the JV Parties;
- On 22 August 2019 the Company announced execution of the Farm-out Agreement with Premier Oil Plc of the United Kingdom on 22 August 2019, with the farm-in to occur over multiple stages beginning with Premier acquiring a 60% interest in return for the drilling of 1 exploration well in Area A of Project Icewine in the first quarter of 2020; and
- On the 13 September 2019, the Company announced that it had successfully completed a capital raise of A$6.75 million (before costs), with the placement made to domestic and international institutional and sophisticated investors through the issue of 540,000,000 million ordinary shares at A$0.0125 (equivalent to £0.07) per New Ordinary Share.

There were no other subsequent events.

15. COMMITMENTS AND CONTINGENCIES

As at 30 June 2019 there have been no material changes to commitments since 31 December 2018. There were no contingent liabilities as at 30 June 2019.

16. 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 2018 Annual Report continued during the period.

17. 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 8) at Fair Value at a Level 1 measurement using a 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 2019 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 2019 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, 13 September 2019

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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 2019, 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 2019 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 2019 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.

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, 13 September 2019