88 ENERGY LIMITED

ABN 80 072 964 179

HALF-YEAR FINANCIAL REPORT
30 JUNE 2020

CONTENTS

CORPORATE INFORMATION

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Mr David Wall
Dr Stephen Staley

COMPANY SECRETARY
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Australia

DIRECTORS' REPORT

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 2020 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 2020:

Project Icewine

- The Permit to Drill for the Charlie-1 exploration well was approved by the Alaska Oil and Gas Conservation Commission (AOGCC) on the 11 February 2020;
- The Charlie-1 well spudded on 2 March 2020 with the well intersecting all the of the pre-drill targets safely and efficiently;
- Total Depth of 11,112' was reached on 30 March 2020, having drilled through and logged all of the targets in the well, including the HRZ;
- Results from the Logging While Drilling (LWD) program were largely consistent with those seen in the nearby Malguk-1 well, with shows and elevated log response recorded over several horizons, with the wireline logging program commencing shortly after reaching Total Depth;
- The Charlie-1 exploration well confirmed a large condensate discovery in the Torok formation, in both the Middle Stellar and Lower Stellar targets;
- Initial petrophysical interpretation indicated hydrocarbon pay in both the Torok and Seabee formations, with additional confirmatory work underway;
- Post well analysis ongoing to confirm the composition and gas to liquid ratio of the Torok discovery, with excellent Vertical Seismic Profile data obtained from the well which will be used in conjunction with other log data and the existing 3D seismic to remap targets, and conduct other post well analysis;
- Detailed logs and sidewall cores were also acquired in the HRZ formation, which will now be analysed over the coming months; and
- The well was plugged and abandoned in April, with the cost of the well within budget.

Off-market Takeover Bid for XCD Energy Limited

- 88 Energy announced its intention to make an off-market takeover offer to acquire all of the fully paid ordinary shares and listed options on issue in XCD Energy Limited on 27 April 2020, with XCD Energy shareholders entering into pre-bid acceptance agreements with 88 Energy in respect of 18.5% of shares on issue and 6.8% of listed options on issue;
- The Board of Directors of XCD Energy on 7 May unanimously recommended that XCD Energy securityholders accept the improved Offers from 88 Energy, in the absence of a superior proposal and subject to the independent expert concluding that the offer is fair and reasonable, or not fair but reasonable. 88 Energy and XCD Energy also announced they had entered into a Bid Implementation Agreement;
- As at 30 June 2020, 88 Energy had a relevant interest in 85.67% of XCD Energy's shares and 81.35% of XCD Energy's listed options, with the Offer being extended to 13 July 2020;
- Subsequent to 30 June 2020, 88 Energy announced it would compulsorily acquire the remaining shares and listed options in XCD having reached over 90% of acceptances in the Offers. Compulsory acquisition was completed on 17 August; and
- The merger creates an Alaska focused oil explorer with:
  - A diversified portfolio of 3 key project areas; Project Icewine, Yukon Leases and Project Peregrine at various stages of project maturity;
  - Board, management and technical team with a proven capability and track record; and
  - Increased scale, market presence, funding capability and share trading liquidity.

Yukon Acreage

- Discussions continue with nearby resource owners to optimise the monetisation strategy of the acreage; and
- Permitting underway ahead of potential drilling in 2021 – subject to farm-out.

Western Blocks

- The Western Block leases were relinquished in the half-year by the Joint Venture.

PROJECT ICEWINE

Project Icewine Conventional

- **Charlie-1 Exploration Well**

The Permit to Drill which was submitted prior to the end of 2019, as planned, and was approved by the Alaska Oil and Gas Conservation Commission (AOGCC) on the 11 February 2020.

Construction of the ice road which commenced in late December 2019 was fully completed together with the ice pad at the Charlie-1 drilling location, by mid-February 2020. Mobilisation of the Nordic Rig#3 to site began shortly after completion of the ice road and the Charlie-1 well was spudded on 2 March 2020.

The Charlie-1 well reached its Total Depth of 11,112' (TVD) on 30th March 2020, having drilled through and logged all of the targets in the well, including the HRZ. Results from the Logging While Drilling program are largely consistent with those seen in the nearby Malguk-1 well, drilled by BP in 1991, with shows and elevated log response recorded over several horizons.

The wireline logging program commenced shortly after Total Depth was reached, and concluded on 6 April 2020.

The company announced on 7 April 2020 that the Charlie-1 appraisal well had proved the presence of mobile hydrocarbons, in the form of condensate gas, in the Torok Formation in both the Middle Stellar and Lower Stellar targets. Hydrocarbons were successfully recovered to surface from both targets using a state-of-the-art downhole sampling tool (Ora). Upper Stellar was not tested due to the sub optimal location that it was intersected by the well.

In the Seabee Formation, Initial petrophysical interpretation also indicated hydrocarbon pay in the Seabee Formation and additional confirmatory analysis is under way. An attempt was made to take a sample from the Lower Lima target, being the better of the two Lima targets. This attempt was unsuccessful due to insufficient reservoir quality; however, given that these targets were not intersected optimally, there still may be good potential for higher quality reservoir at a different location. Excellent Vertical Seismic Profile ("VSP") data was obtained in the well, which is being used in conjunction with other log data and the existing 3D seismic, to remap these targets. Sidewall core analysis will also assist with determining where improved reservoir is likely to exist. Mud gas, observed while drilling, in the Seabee indicated that the hydrocarbons at this horizon are heavier than those in the Torok and this is the horizon where "live oil" was observed across the shakers in the nearby Malguk-1 well.

Sampling was also completed in the Schrader Bluffs Formation from the base of the Indigo target, which was found to be water bearing. The Charlie prospect was found to be poorly developed and was not sampled. Oil shows in this interval are likely to be related to residual oil that is not trapped in the system.

Premier informed the Joint Venture during the quarter that it will withdraw from the project, as the well did not meet their pre-drill expectations.

The cost of the well remains within the expected budget and Premier Oil is continuing to pay costs in relation to the drilling operations and post well testing and site clean up.

The well was plugged and abandoned ("P&A") in line with standard industry practice in April 2020.

Project Icewine Unconventional

Detailed logs and sidewall cores were acquired in the HRZ formation during drilling of the Charlie-1 well, which will be analysed over the coming months.

The HRZ remains a viable target and options to commercialise this potentially large resource continue to be pursued. The Joint Venture plans to conduct a formal farm-out process to fund further appraisal.

Deferral of Project Icewine Lease Rental Payments

On 4 May 2020, Alaska Department of Natural Resources ("DNR") granted Accumulate Energy Alaska, Inc an extension of time within which to make payments on annual oil and gas lease rentals due to the State of Alaska in 2020. For oil and gas lease rentals due in June, July, and September of 2020, a 6-month extension was given to make rental payments due in these periods. For oil and gas lease rentals due in October and November of 2020, a 3-month extension was given.

YUKON LEASES

Discussions continued during the half-year 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.

Permitting continued ahead of a future possible drilling campaign – subject to farm-out.

 # 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

During the half-year an assessment of the strategy for future of leases continued with a decision to relinquished the acreage in the half-year by the Joint Venture.

PLACEMENT TO RAISE A$5 MILLION

On the 24 January 2020, the Company announced that it had successfully completed a capital raise of A$5 million (before costs), with the placement made to domestic and international institutional and sophisticated investors through the issue of 238 million ordinary shares at A$0.021 (equivalent to £0.011) per New Ordinary Share.

OFF-MARKET TAKEOVER BID FOR XCD ENERGY LIMITED

On 27 April 2020, 88 Energy announced its intention to make an off-market takeover offer to acquire all of the fully paid ordinary shares and listed options on issue in XCD Energy Limited, an oil exploration company with operations on the North Slope of Alaska, USA.

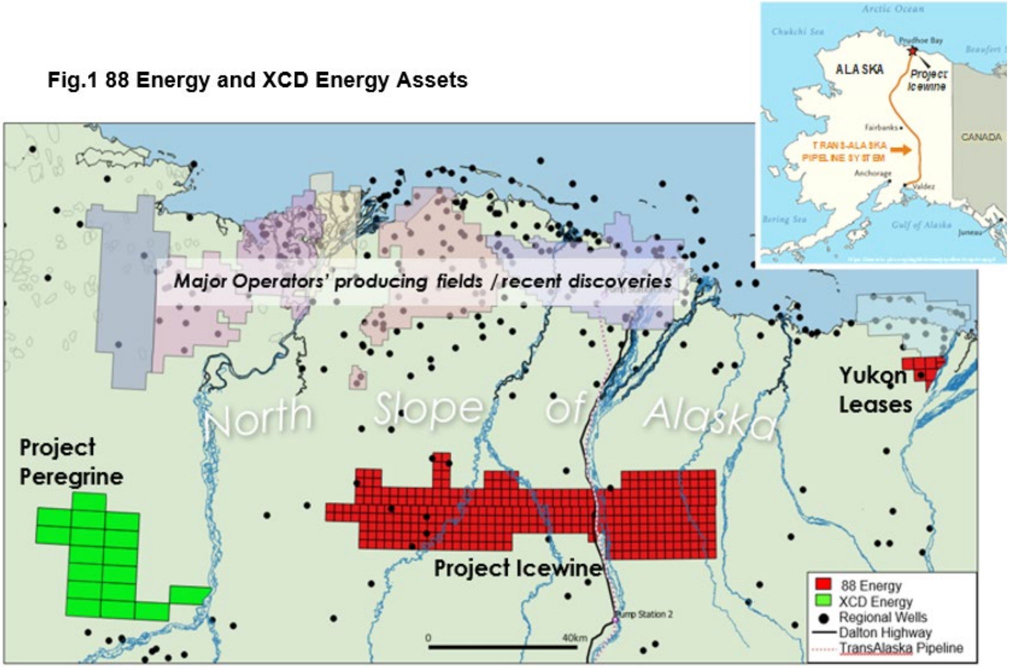
88 Energy entered into pre-bid acceptance deeds with major XCD Energy shareholders and listed option holders in respect of 18.5% of the XCD Energy shares and 6.8% of the XCD Energy listed options on issue. Pursuant to these deeds, the Shareholders accepted the Proposed Offer, in the absence of a superior proposal.

The transaction creates an Alaska-focused oil exploration and appraisal company with a diversified portfolio of three highly prospective project areas: Project Icewine, Yukon Leases and Project Peregrine and provides an attractive investment proposition for existing and new shareholders.

Key benefits of the transaction include:

- the creation of an established oil exploration and appraisal company with an attractive and complementary portfolio of exploration assets - at various stages of project maturity;
- enhanced strategic, commercial, technical and financial strength to optimise funding of operations, including an increased level of liquidity and exposure to a larger global investor base giving greater financing flexibility;
- the ability to optimise operational activity across the combined group's highly prospective exploration / appraisal portfolio with potential synergies associated with future project development and infrastructure requirements; and
- a strong board, management and technical team with a proven track record for advancing projects and delivering on milestones, including two 3D and one 2D seismic survey, drilling of four exploration wells safely and on budget over a 5 year period as well as execution of farm-in/farm-out transactions.

Fig.1 88 Energy and XCD Energy Assets



On 7 May 2020, 88 Energy and XCD Energy Limited announced they had agreed to merge and had entered into a Bid Implementation Agreement, with the Board of Directors of XCD Energy unanimously recommend to XCD Energy shareholders and listed optionholders that they accept the Offers, in the absence of a superior proposal and subject to the independent expert concluding that the offer is fair and reasonable or not fair but reasonable.

The Offers were subject to only a limited number of conditions, including a 90% minimum acceptance condition. The full list of conditions to the Offers are set out in the announcement of 7 May 2020 in Schedule 2 of the BIA provided in Annexure A to the announcement. Further details regarding the Offers were contained in the Bidder's Statement, which was announced and sent to XCD Energy securityholders on 25 May 2020.

On 18 June 2020, 88 Energy announced that it had declared its recommended off-market takeover offers for all of the ordinary shares and listed options in XCD Energy free from all defeating conditions, having reached a relevant interest in 59.27% of XCD Energy's shares and 28.53% of XCD Energy's listed options on 17 June 2020.

In addition, 88 Energy announced that XCD Energy shareholders and listed option holders who validly accepted the Offers made to them before they were declared unconditional will be issued their consideration by 26 June 2020. Any XCD Energy shareholders and listed option holders who are yet to validly accept the Offers made to them will be issued with their 88 Energy shares and listed options within 7 business days of their acceptance being processed.

Further, 88 Energy stated in its announcement of 18 June 2020 that if the Company acquires a relevant interest in XCD Energy of 90% or more, 88 Energy intends to proceed with compulsory acquisition of any outstanding XCD Energy shares and listed options under Part 6A of the Corporations Act. If this occurs, XCD Energy security holders who have their XCD Energy shares and listed options acquired compulsorily will not be eligible for accelerated payment terms.

Prior to 30 June 2020, the Offers were extended to 13 July 2020, and as at 30 June 2020 with 88 Energy had a relevant interest in 85.67% of XCD Energy's shares and 81.35% of XCD Energy's listed options, with the Offer was extended to 13 July 2020. Subsequent to quarter end, on 9 July 2020 88 Energy announced it will compulsorily acquire the remaining shares and listed options in XCD having reached over 90% of acceptances in the Offers, with compulsory acquisition completed on 17 August 2020.

FINANCIAL

For the period ended 30 June 2020 the Company recorded a loss of $4.020 million (30 June 2019: $29.325 million loss). The loss was largely attributable to expenditure associated with the impairment of capitalised costs associated with the relinquishment of the Western blocks 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 2020, the Group had cash on hand of $7.274 million (31 December 2019: $15.903 million) which includes A$ 0.434 million associated with cash held by the recently acquired XCD Energy Limited group of companies and $6.840 million associated with the 88 Energy group of companies, and also included A$0.498 million in restricted cash held which is for JV operations. Net assets totalled A$75.801 million (31 December 2019: $64.598 million), with the significant increase in net assets largely due to the off-market takeover of XCD Energy Limited.

SUBSEQUENT EVENTS

The following events occurred subsequent to the period end;

- 88 Energy announced it will compulsorily acquire the remaining shares and listed options in XCD having reached over 90% of acceptances in the Offers. The Compulsory Acquisition process was completed on 17 August 2020;
- On 4 August 2020, Sarah Smith resigned as Company Secretary;
- On 17 August 15,000,000 shares were issued in lieu of cash fees for digital marketing services provided at a deemed issue price of $0.005 per share; and
- The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not significantly impacted the entity up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian and United States Governments and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

There were no other subsequent events.

AUDITOR’S INDEPENDENCE DECLARATION

AUDITOR’S INDEPENDENCE DECLARATION

A copy of the lead auditor’s independence declaration for the half-year ended 30 June 2020 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, 2 September 2020

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DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF 88 ENERGY LIMITED

As lead auditor for the review of 88 Energy Limited for the half-year ended 30 June 2020, 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.

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 2 September 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 30 JUNE 2020

	Note	30 June 2020 $	30 June 2019 $
Income	3(a)	**75,860**	2,058,773
Administration expenses	3(b)	**(522,909)**	(78,550)
Occupancy expenses		**(22,102)**	(21,430)
Employee benefit expenses	3(c)	**(742,005)**	(843,745)
Share based payment expense	13	**(52,861)**	(53,924)
Depreciation and amortisation expense		**(41,765)**	(28,618)
Finance cost		**(1,483,612)**	(1,544,969)
Realised/unrealised gain on foreign exchange		**43,428**	15,028
Other expenses	3(d)	**(1,274,345)**	(28,827,806)
Loss before income tax		**(4,020,311)**	(29,325,241)
Income tax benefit/(expense)		**-**	-
Net loss attributable to operations		**(4,020,311)**	(29,325,241)
Loss is attributable to:			
Owners of 88 Energy Limited		**(4,020,311)**	(29,325,241)
Non-controlling interest		**-**	-
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		**1,155,379**	172,919
Total comprehensive loss for the period		**(2,864,932)**	(29,152,322)
Total comprehensive loss for the period is attributable to:			
Owners of 88 Energy Limited		**(2,864,932)**	(29,152,322)
Non-controlling interest		**-**	-
Basic and diluted loss per share		**(0.0004)**	(0.005)

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 2020

	Note	30 June 2020 $	31 December 2019 $
ASSETS			
Current Assets			
Cash and cash equivalents	5	**7,274,643**	15,903,117
Other receivables	6	**2,236,261**	1,120,550
Total Current Assets		**9,510,904**	17,023,667
Non-Current Assets			
Plant and equipment		**20,210**	12,900
Exploration and evaluation expenditure	7	**71,825,827**	52,928,315
Other assets	8	**24,548,697**	23,615,216
Total Non-Current Assets		**96,394,735**	76,556,431
TOTAL ASSETS		**105,905,638**	93,580,098
LIABILITIES			
Current Liabilities			
Provisions	10	**334,831**	282,199
Trade and other payables	9	**6,249,280**	6,026,811
Total Current Liabilities		**6,584,111**	6,309,010
Non-Current Liabilities			
Borrowings	11	**23,497,356**	22,672,578
Lease liability		**22,856**	-
Total Non-Current Liabilities		**23,520,212**	22,672,578
TOTAL LIABILITIES		**30,104,323**	28,981,588
NET ASSETS		**75,801,315**	64,598,510
EQUITY			
Issued and fully paid shares	12(a)	**198,292,045**	185,619,885
Reserves	12(b)	**24,786,367**	23,578,127
Accumulated losses		**(148,619,812)**	(144,599,502)
Non – controlling interest	14	**1,342,715**	-
TOTAL EQUITY		**75,801,315**	64,598,510

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 2020

	Issued and fully paid shares $	Reserves $	Accumulated losses $	Non-Controlling Interest $	Total equity $
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**
Balance at 1 January 2020	**185,619,885**	**23,578,127**	**(144,599,502)**	**-**	**64,598,510**
Loss for the period	-	-	(4,020,311)	-	(4,020,311)
Other comprehensive income	-	1,155,379	-	-	1,155,379
Total comprehensive loss for the period, net of tax	-	1,155,379	(4,020,311)	-	(2,864,932)
Shares issued during the period	12,884,297	-	-	-	12,884,297
Non-controlling interests on acquisition of subsidiary	-	-	-	1,342,715	1,342,715
Shares committed and unissued	140,000	-	-	-	140,000
Equity raising costs	(352,136)	-	-	-	(352,136)
Share based payments	-	52,861	-	-	52,861
Balance at 30 June 2020	**198,292,045**	**24,786,367**	**(148,619,812)**	**1,342,715**	**75,801,315**

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 2020

	30 June 2020	30 June 2019
Cash flows from operating activities		
Interest	**2,634**	19,532
Interest paid	**(1,187,656)**	(1,198,562)
Payments to suppliers and employees	**(1,224,781)**	(1,369,467)
Other income	**24,000**	-
Exploration expenditure expensed	**(87,749)**	-
Net cash outflows used in operating activities	**(2,473,552)**	(2,548,497)
Cash flows from investing activities		
Cash acquired from acquisition of XCD Energy	**434,091**	-
Payments for exploration and evaluation activities	**(35,467,951)**	(21,147,306)
Contributions from JV Partners in relation to exploration	**23,506,461**	8,600,245
Net cash outflows used in investing activities	**(11,527,399)**	(12,547,061)
Cash flows from financing activities		
Proceeds from issue of shares	**5,000,000**	-
Share issue costs	**(362,000)**	-
Net cash inflows from financing activities	**4,638,000**	-
Net increase/(decrease) in cash and cash equivalents	**(9,362,951)**	(15,095,557)
Net foreign exchange differences	**734,477**	47,443
Cash and cash equivalents at beginning of period	**15,903,117**	21,722,211
Cash and cash equivalents at end of period	**7,274,643**	6,674,077

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 2020 were authorised for issue in accordance with a resolution of the Directors on 2 September 2020.

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 2020 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 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 2019, together with any public announcements made during the 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 2019, except as follows:

(i) Asset Acquisition

Where an acquisition does not meet the definition of a business combination the transaction is accounted for as an asset acquisition. The consideration transferred for the acquisition of an asset comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs with regards to the acquisition are capitalised. Identifiable assets acquired and liabilities assumed in the acquisition are measured initially at cost and if not available their faire values at the acquisition date.

(b) Adoption of new and revised accounting standards

The half yearly reports have not adopted any new or revised accounting standards which have a material impact on the Company.

(c) Significant Judgements and Estimates

In addition to significant estimates and judgements disclosed in the 2019 Annual Report, we note the following;

(i) Alaska's Clear and Equitable Share ("ACES") tax rebate program

The ACES rebate is presented separately and deducted from exploration and evaluation assets. As at 30 June 2020, the Group had a tax credit receivable of US$19.1 million (A$27.8 million) from the State of Alaska, which has a fair value in the Statement of Financial Position of A$23.5 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.

(ii) Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, and are only recognised if the rights of the area of interest are current and either:

(a) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
(b) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest. Once the technical feasibility and commercial viability of the extraction of resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from exploration and evaluation assets to Oil & Gas Properties.

The recoverability of the carrying amounts of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective area of interest.

Factors which could impact the future recoverability include the level of reserves and resources, future technological changes which could impact the cost of production, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

(iii) ***Asset Acquisition***

The acquisition of XCD Energy Limited does not meet the definition of a business combination and as such the transaction has been accounted for as an asset acquisition.

Purchase prices related to asset acquisitions are allocated to the underlying acquired assets and liabilities based on cost and/or their estimated fair value at the time of acquisition. The determination of fair value requires the Company to make assumptions, estimates and judgments regarding future events. The allocation process is inherently subjective and impacts the amounts assigned to individually identifiable assets and liabilities. As a result, the purchase price allocation impacts 88 Energy Limited's reported assets and liabilities, future net earnings due to the impact on future depreciation and amortisation expense and impairment tests. No goodwill or deferred tax implications will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset.

(d) Going concern

As at 30 June 2020, the Group had working capital (current assets less current liabilities) of $2.93 million (31 December 2019: $10.71 million) with cash on hand of $7.27 million (31 December 2019: $15.90 million) and a comprehensive net loss of $(2.86) million (30 June 2019: $29.32 million) with cash out flow from operating activities for the half-year of $(2.47) million (30 June 2019: $2.55 million).

The Group also has of note ongoing lease holding costs in Alaska as well as commitments due in relation to the Brevet debt. The ability of the Group to continue as a going concern is principally dependent upon its ability to manage the Company's working capital requirements and, if required, raise alternative funds. These conditions indicate a material uncertainty that may cast significant doubt about the ability of the Group to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In addition to the above, the World Health Organisation announced that the Coronavirus (COVID-19) had become a pandemic on 11 March 2020. The impact of the COVID-19 pandemic is ongoing and whilst has had no financial impacts for the Group up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependant on measures imposed by the Australian and United States Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided. The full impact of COVID-19 and timing of easing of restrictions continues to evolve. At the reporting date, it is uncertain what the effect will be on the group and potentially it will have a post balance date impact. The Directors are continuing to explore alternative options in an effort to mitigate the possible impacts of COVID-19.

The financial statements have been prepared on the basis the Group will continue to meet their commitments and can therefore continue normal business activities and realise its assets and settle liabilities in the normal course of business.

In arriving at this position, 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 consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts or classifications of liabilities that might be necessary should the Group not be able to continue as a going concern.

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.

3. INCOME AND EXPENSES

	30 June 2020 $	30 June 2019 $
(a) Other Income		
Interest income	**1,860**	16,638
Other finance income	**-**	2,042,135
Other Income	**74,000**	-
	75,860	2,058,773
(b) Corporate & Administrative expenses		
Consultancy and professional fees	**98,966**	125,861
Legal fees	**16,115**	7,062
General and administration expenses	**371,186**	(95,036)
Travel	**36,642**	40,663
	522,909	78,550
(c) Employee benefit expenses		
Wages and salaries	**622,286**	718,609
Superannuation	**40,914**	45,417
Annual leave expense	**61,031**	50,873
Other employee expenses	**17,774**	28,846
	742,005	843,745
(d) Other expenses		
Impairment expense – Icewine (2019) & Western Blocks (2020)	**1,266,729**	28,767,174
Other expenses	**7,616**	60,632
	1,274,345	28,827,806

4. SEGMENT INFORMATION

Identification of reportable segments

For management purposes during the period ended 30 June 2020 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 2020 $	31 December 2019 $
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)]	**7,274,643**	15,903,117
	7,274,643	15,903,117

(i) As per the Directors Report $0.5m is restricted for the JV Operations.

6. OTHER RECEIVABLES

Goods and Services Tax (GST) receivable	**58,461**	49,743
Other deposits and receivables*	**2,177,800**	1,070,807
	2,236,261	1,120,550

**Includes bonds held by Alaskan authorities of $1.1 million, and Joint Venture receivables of $0.8 million received subsequent to period end.*

	30 June 2020 $	31 December 2019 $
7. EXPLORATION EXPENDITURE		
Capitalised expenditure at the beginning of the period	**52,928,315**	76,983,981
Additions	**34,533,160**	18,013,488
Tax Credit receivable net of present value adjustment (i)	**-**	(3,354,817)
Acquisition of XCD Energy Limited Exploration Assets	**8,921,215**	-
JV Contributions (ii)	**(24,403,134)**	(9,749,745)
Less Impairment (iii)	**(1,266,729)**	(29,473,257)
Foreign Currency translation	**1,113,000**	508,664
Closing balance	**71,825,827**	52,928,315

(i) Tax credit certificates issued in 2019, net of present value adjustment. This amount has been offset against capitalised Exploration and Evaluation Expenditure and recognised within Other Non-Current Assets. The amount when paid by the Alaskan Government will be applied directly against the Brevet loan outstanding.

(ii) JV Contributions received in 2019 from Premier Oil for expenditure to be incurred in relation to the Charlie-1 well in 2020.

(iii) Impairment for 2020 predominantly relates to the Western Blocks ($1.2m) which were relinquished in May 2020. Impairment charges for the 2019 year are in relation to the Icewine-2 and Winx-1 exploration wells which were plugged and abandoned in 2019.

8. OTHER NON-CURRENT ASSETS

ROU Asset – Lease 5 Ord St	**42,063**	76,448
North Slope Bid Round Deposit	**98,039**	96,038
Tax credit receivable (i)	**23,494,064**	23,014,525
Other assets	**477,404**	-
Investments in Jade	**437,127**	428,205
	24,548,697	23,615,216

(i) The Alaskan Government has approved tax credits of A$23.5 million as at 30 June 2020 (US$19.1 million). This amount has been fair valued as at 30 June 2020 to A$23.5 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	**1,077,203**	1,025,662
Other payables	**5,172,077**	5,001,149
	6,249,280	6,026,811

10. PROVISIONS

Annual Leave	**271,620**	231,305
Long Service Leave	**63,211**	50,894
	334,831	282,199

	30 June 2020 $	31 December 2019 $
11. BORROWINGS		
Non-Current		
Bank Facility (i)	**23,497,356**	22,672,578
	23,497,356	22,672,578

(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 2020, US$16.12 (A$23.4) 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

Ordinary shares	**8,714,494,764**	**198,292,046**

	Number of shares	30 June 2020 $
Balance at 1 January 2020	**6,871,540,324**	**185,619,885**
January 2020 share issue @ $0.021	238,095,240	5,000,000
Costs associated with January 2020 share issue	-	(352,135)
Share Issues for XCD Takeover	1,604,859,200	8,024,296
Issued and fully paid shares at 30 June 2020*	**8,714,494,764**	**198,292,046**

** Includes 198,965,783 of shares committed and unissued, including A$ 140,000 in relation to Longreach Capital committed and unissued shares*

12. CONTRIBUTED EQUITY AND RESERVES (continued)

(b) Reserves

	30 June 2020 $	31 December 2019 $
Share-based payments	**17,635,526**	17,582,665
Foreign currency translation reserve	**7,150,841**	5,995,462
	24,786,367	23,578,127
<u>Movement reconciliation</u>		
Share-based payments reserve		
Balance at the beginning of the period	**17,582,665**	17,487,389
Equity settled share-based payment transactions (Note 13)	**52,861**	95,276
Balance at the end of the period	**17,635,526**	17,582,665
Foreign currency translation reserve		
Balance at the beginning of the period	**5,995,462**	5,141,001
Effect of translation of foreign currency operations to group presentation	**1,155,379**	854,461
Balance at the end of the period	**7,150,841**	5,995,462

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 2020 $	30 June 2019 $
Performance rights issued to Directors	**21,781**	22,219
Performance rights issued to employees	**31,080**	31,705
	52,861	53,924

No options were granted in the half-year ended 30 June 2020.
Shares have been issued in connection with the acquisition of XCD Energy Limited. Refer note 14 for details.

14. ACQUISITION OF XCD ENERGY LTD

88 Energy announced its intention to make an off-market takeover offer to acquire all of the fully paid ordinary shares and listed options on issue in XCD Energy Limited on 27 April 2020. As of 17 June 2020 the offer became unconditional and 88 Energy obtained control of XCD Energy Limited. As at 30 June 2020 88 Energy held 85.67% of the issued capital of XCD Energy Limited.

The net effect of the adjustments made to the values of assets and liabilities, as included at 17 June 2020, on the acquisition of XCD Energy Ltd are as follows:

XCD assets and liabilities values	17 June 2020 $
Amounts settled in equity – 1,848,002,205 shares at $0.005[i]	9,240,011
Costs of Acquisition	462,696
Total	**9,702,707**

[i] *Consideration reflected represents total consideration expected to be issued. As at 30 June 2020 consideration in the form of equity was $7.88 million per note 12 (balance of $1.36 million to be issued to acquire 100% of the issued capital of XCD Energy Limited.*

Recognised amounts of Net assets	
Cash and cash equivalents	434,091
Trade and other receivables	93,881
Total Current assets	**527,972**
Plant and Equipment	12,438
Exploration and evaluation expenditure[ii]	8,921,215
Other assets	477,404
Total Non-Current Assets	**9,411,057**
Trade and Other Payables	(188,496)
Provisions	(24,969)
Total Current Liability	**(213,465)**
Lease Liability	(22,857)
Total Non – current liability	**(22,857)**
Total Net Assets	**9,702,707**
Non – Controlling Interest	(1,342,715)

[ii] *refer to Note 7*

15. EVENTS AFTER THE PERIOD END

The following events occurred subsequent to the period end;

- 88 Energy announced it will compulsorily acquire the remaining shares and listed options in XCD having reached over 90% of acceptances in the Offers. The Compulsory Acquisition process was completed on 17 August 2020;
- On 4 August 2020, Sarah Smith resigned as Company Secretary;
- On 17 August 15,000,000 shares were issued in lieu of cash fees for digital marketing services provided at a deemed issue price of $0.005 per share; and
- The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not significantly impacted the entity up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian and United States Governments and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

There were no other subsequent events.

16. COMMITMENTS AND CONTINGENCIES

As at 30 June 2020, other than the commitments in relation to the XCD Energy Limited acquisition in relation to the committed and unissued shares as noted in Note 12, there have been no material changes to commitments since 31 December 2019 associated with the 88 Energy Group of companies. There were no contingent liabilities as at 30 June 2020.

In relation to the acquired XCD Energy Limited group of Companies, the following contingent liabilities were noted as at 30 June 2020.

During the year ended 30 June 2019, the XCD Energy Limited deregistered one of its US subsidiary, Entek GRB LLC. The deregistration resulted in several security bonds being forfeited by the Group. These security bonds were put in place by Entek GRB LLC to cover any rehabilitation costs associated with the assets of Entek GRB LLC. The Directors are of the opinion that the agreements made by Entek GRB LLC as part of the de-registration process relieves the Group of any further liability, however, there is a risk that a claim will be made against the Group and accordingly, the Directors consider this to be a contingent liability as at 30 June 2020. At this stage, it is not possible to quantify an amount of any potential claim.

Apart from the above, there are no other contingent liabilities as at 30 June 2020.

17. 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 2019 Annual Report continued during the period.

No related party transactions, other than those noted in the Bidders Statement lodged with the ASX on 21 May 2020, occurred between the Directors and executives and the XCD Energy Limited Group of Companies, which included Entek USA Inc, XCD Alaska LLC and Emerald House LLC.

18. 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 as well as the 2019 Annual Financial Report.

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 using Level 2 inputs including using a combination of market interest rates and also assessment of future oil prices.

The Group does not have any level 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 2020 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 2020 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, 2 September 2020

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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 2020, 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 ended on that date, a summary of significant 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 accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2020 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*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Material uncertainty relating to going concern

We draw attention to Note 2(d) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Responsibility of the directors for the 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 for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 Company's financial position as at 30 June 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

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.

BDO Audit (WA) Pty Ltd

BDO

Jarrad Prue

Director

Perth, 2 September 2020